

**DECLARATION OF ELIZABETH T. HAN
PURSUANT TO 28 U.S.C. § 1746**

I, Elizabeth T. Han, hereby state that I have personal knowledge of the facts set forth below. If called as a witness, I could and would testify competently as follows:

1. I am a citizen of the United States and over the age of eighteen (18) years old. I am employed as an investigator with the Federal Trade Commission (“FTC”) in the Division of Financial Practices. My office address is 600 Pennsylvania Avenue, N.W., CC 10232, Washington, D.C., 20580.
2. I began working at the FTC in June 2013. My responsibilities include investigating suspected violations of consumer protection laws. In the normal course of carrying out my investigative responsibilities, I regularly use Internet search engines, electronic databases, spreadsheet software, and a variety of other software-based investigative and organizational tools. I regularly review a variety of records, including bank, domain, and telecom records, engaging in analysis for indicators of fraudulent activity. I am also a Certified Fraud Examiner (“CFE”), a certification first obtained in February 2012. To become a CFE, I had to pass an exam which tested four subject areas: (1) fraud prevention and deterrence; (2) fraudulent financial transactions; (3) fraud investigations; and (4) legal elements of fraud.
3. Prior to working at the FTC, I was an investigator with the U.S. Department of Commerce – Office of Inspector General (OIG) for almost three years. My responsibilities for OIG included investigating contract and procurement fraud, grant fraud, serious employee misconduct, and gross mismanagement. In the normal course of carrying out my investigative responsibilities, I regularly used Internet search engines,

electronic databases, and spreadsheet software. I also regularly reviewed financial documents, including contract and grant documents, engaging in analysis for indicators of fraudulent activity.

4. At the FTC, I was assigned to the investigation of the defendants named in the complaint that the FTC has filed herewith. The defendants include one company: BF Labs, Inc. d/b/a Butterfly Labs (“Butterfly Labs”), and three individuals: Darla Drake a/k/a Jody Drake (“Drake”), Nasser Ghoseiri (“Ghoseiri”), and Sonny Vleisides (“Vleisides”) (collectively referred to as “Defendants”). Drake, Ghoseiri, and Vleisides, will be referred to separately as “Individual Defendants.”
5. On November 17, 2014, I ran a search of complaints in the FTC’s complaint database, searching for all complaints against Butterfly Labs from September 22, 2014 to November 18, 2014.¹ I found 33 complaints, which I reviewed. I observed that many consumers continue to report their inability in getting a refund from Butterfly Labs to date. The complaints are from consumers who have purchased Butterfly Labs’ mining equipment as well as Butterfly Labs’ hosted cloud mining contracts. A true and correct copy of the spreadsheet of complaints I downloaded from the FTC’s complaint database is attached here as **Attachment (“Att.”) A.**
6. During the course of this investigation, I came across many publicly available articles describing the frustrations of consumers as well as their concerns of fraudulent activity on the part of Butterfly Labs. True and correct copies of such articles are attached here as **Att. B.**
7. During the course of this investigation, I found multiple instances wherein Butterfly Labs

¹ The FTC previously filed a similar set of complaints for the date period March 1, 2014 – September 22, 2014. Reply in Support of PI, Exhibit PX 1, Att. I.

attested to the profitability of their mining machines.² True and correct copies of such statements are attached here as **Atts. C – F.**³

8. Additionally, in the course of this investigation, I came across instances wherein Josh Zerlan, VP Product Development for Butterfly Labs, referred to their mining equipment as “money-making machines.” A true and correct copy of this post is attached as **Att. G.**
9. During the course of this investigation, I reviewed the Butterfly Labs website, which included a subpage explaining the bitcoin mining process. Butterfly Labs made a representation on this subpage that bitcoin mining becomes more difficult with time. A true and correct copy of their website explaining bitcoin mining is attached as **Att. H.**
10. During the course of this investigation, I utilized publicly available data to view the increase in difficulty of bitcoin mining with time. Multiple websites aggregate such data and produce demonstrative charts. True and correct copies of such charts depicting the rise in difficulty of bitcoin mining over time are attached as **Atts. I – K.**
11. During the course of this investigation, I located a recording of an interview on “Let’s Talk Bitcoin!” featuring Mr. Zerlan. In the recording, Mr. Zerlan identifies himself as the Chief Operating Officer of Butterfly Labs, and discusses the testing procedures for the Butterfly Labs mining machines, including their use of a “testnet.” A true and correct

² One of the attached threads includes a post from username “Inaba,” which is a username utilized by Josh Zerlan, VP Product Development for Butterfly Labs. Mr. Zerlan identified himself as the individual behind username “Inaba” on a separate thread posted on bitcointalk.org on September 11, 2012. Mr. Zerlan further explains that his other username is “BFL_Josh” when posting on the forum threads. A true and correct copy of this post is available upon request.

One of the attached posts is from username “Slok” who is identified as the moderator of the Butterfly Labs-hosted forum. PX 2, ¶4, Att. A.

³ Some of the provided attachments are web captures preserved by the Internet Archive. The Internet Archive is a non-profit organization founded in 1996 that administers an archive of over 408 billion websites, with the goal of preserving permanent access for researchers, historians, scholars, and the general public. The pages are captured on a sporadic schedule and not every version of a website is captured. I viewed the archived pages and preserved them in PDF format.

copy of the transcript of the interview is attached as **Att. L.**⁴

12. During the course of this investigation, I came across instances where Butterfly Labs referred customers to “Your ultimate Bitcoin calculator[.]” on their social media pages, including their Tumblr and Blog pages. The calculator being advertised was available at “tpbitcalc.appspot.com”. True and correct copies of the Butterfly Labs postings on their Tumblr and Blog pages referring to the TP Bitcoin Calculator are attached as **Atts. M – N.**
13. During the course of this investigation, I learned that Butterfly Labs had acquired the website “buttcoin.org”, which was confirmed by Defense Counsel in this matter. According to Defense Counsel in this matter, Butterfly Labs acquired this website on December 13, 2013. A true and correct copy of this record is available upon request.
14. Buttcoin.org is a website that was, until its purchase by Butterfly Labs, very critical of Butterfly Labs. According to an editorial written by the former owner and editor of buttcoin.org, he was contacted via email on December 10, 2013, by someone named “Jeff,” who expressed interest in purchasing buttcoin.org. The editorial states that he was not aware of the identity of the purchaser or of the fact that the person was an employee of Butterfly Labs. The editorial further details how buttcoin.org’s most popular article prior to the purchase by Jeff was a piece detailing the lack of functionality of a Butterfly Labs “Mini Rig” that, the day after the purchase by Jeff, became a piece extolling the virtues of the same machine. The former owner stated that he later determined Jeff to be Jeffrey Ownby, VP Marketing and Ecommerce for Butterfly Labs. A true and correct copy of the editorial, republished with additional information on November 10, 2014, is

⁴ The recording of the interview, published online on August 23, 2013, is available at https://www.youtube.com/watch?v=7AymCbxC_9w.

attached as **Att. O**.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the statements made in this declaration are true and correct.

Executed in Washington, D.C. on November 19, 2014.

A handwritten signature in blue ink, appearing to read "Elizabeth", is written over a horizontal line.

ATTACHMENT A

Complaint Date	Transaction Date	Complaint Info Comments
09/23/2014	03/19/2013	I had sought a refund from Butterfly Labs for order #100029650, which was placed on 3/30/13. I had finally received the unit 7 months later on 11/1/13, and I proceeded to try it. However, I quickly discovered that this technology was now quite obsolete and virtually useless. Therefore, I had sought a refund and filed an RMA with butterfly labs on 1/22/14, and shipped back the equipment under the impression that I would receive a full refund. I have followed up with their customer service via email (office@butterflylabs.com) on two occasions since, to which they never replied.
09/22/2014	01/05/2014	On 01/05/2014, I placed an order for, 600 GH Bitcoin Mining Card - On Sale BPU600C \$2,100.00 Ordered: 3 \$6,300.00. And a 1-year hosted management contract for \$4,536.00 for a total price of \$10,836.00 paid in equivalent BTC at that time. On 06/04/2014, I complained that I had not recieved my order yet. I officially asked for my refund at the end of August (having trouble finding an exact date.) I made a scnd request tonight siting: http://business.ftc.gov/documents/bus02-business-guide-mail-and-telephone-order-merchandise-rule#WHERE%20TO%20GO%20FOR%20HELP I strongly believe that the FTC should bring suit against this company and fine them the full \$16,000 per incident.
09/23/2014	10/18/2013	I ordered 50 GH/s Bitcoin Miner SKU BF0050G (order # 100067012) on 6/16/2013. I paid in full on that date. On 10/11/2013, I attempted to contact Butterfly Labs to request a refund. I called their advertised customer service phone number (1-800-809-6463) and as normal, no one answered. I left a voicemail message. On the same day, I also sent an email to their advertised customer service email address (office@butterflylabs.com). I was denied the refund request by Abbey via email on 10/18/2013. I also received a voicemail from a butterfly labs representative denying the request. On 11/27/2013, I requested a refund again via email and customer service phone number. I left a voicemail and never received a response. On 12/20/2013, I received another refund request denial, this time by Tamika. I received a non-functioning miner on 12/30/2013. I filed an RMA and received a working miner approximately 3 weeks later. At that point in time, the miner had depreciated so much that it became obsolete 3 months later and I was never able to recover the initial cost of the miner. Return on investment was impossible due to miner not being able to produce enough Bitcoins by the time I received it.
09/23/2014	07/14/2013	I ordered \$5,930 worth of bitcoin mining products and service on 8/24/13. I was continually notified that the product was not ready and could not be shipped for a variety of manufacturing problems. Finally, this week (after waiting over a year), I was informed my order was currently in production and ready to be shipped. Unfortunately, the FTC decided to intervene and shut down the company, sending it into receivership. Now my order is in limbo and I do not know how to recover my funds. Please refund my order for \$5,930 since the FTC is now in control of the company. I don't know what else I am supposed to do other than file this report. If I need to do something else, please inform me. I have screenshots of my order on their website. My order number is #100075519 placed on 8/24/13 for \$5,930. I paid in cash by wire transfer. UPDATE 09-23-2014 Consumer called to ask about his funds and when he can get them. UPDATE 9.23.2014 Consumer was transferred to a supervisor to have the role of the FTC explained to them.

Complaint Date	Transaction Date	Complaint Info Comments
09/23/2014	09/30/2013	I preordered two bitcoin mining card from this company. One preorder was in late September and the other order was in late october. the first order was for the 600gh card and the other the 300gh card. The preorder was complete when I sent the money up front using a wire transter. I was told the card would arrive in January 2014. When February came around I still had no mining card and sent an email asking when It would arrive. They replied saying the new date would be April 2014. It's now September of 2014 and I still have no cards. I attempted to ask for a refund but it was denied saying that all sales are final. I see you have shut down the company today and was wondering what I can do or provide to help me get my money back.
09/23/2014	10/25/2013	I bought Bitcoin Mining by the GH (10 units) for a total of \$324.90 back in october 2013. The company does not deliver the product and does not provide refunds. Most likely a scam. Order #100079499, Account Nr: , SKU:BF0001F
09/23/2014		I prepaid for 2 Butterfly Labs "Monarch" bitcoin miners, and paid by Bank Wire on December 17, 2013. The amount paid then was \$9,378 including shipping. Due to extended delays in shipment, the company agreed to ship Monarchs that would run at 1000 GH/s instead of at 600 GH/s, for no additional cost, and agreed to sell me 2 Monarchs at 1/2 price (which was less at that time) for a total of \$2,272, on 3/20/2014. I paid by Bank Wire. At that point they "anticipated shipping in April." They did not ship in April, May, June, or July. They later stated on their web site that they would issue refunds to customers whose orders were 6 months old. On June 27, 2014, 6 months after my order had originally been placed I filed a refund request. The request was refused, they said in an email, because I had accepted the 1/2 price deal on the additional Monarchs. Later they indicated that beginning (I think) some time in August 2014 that they would issue refunds even for those customers who (foolishly enough) accepted the 1/2 price offer. I thought that on September 21 2014 my order date (17 December 2013) would now be eligible for a refund, however by this time the company had, not surprisingly, been raided by the FTC. The company is now in receivership.
09/24/2014		I had previously sent a complaint to the California Attorney General's Office, but the company did not respond to their inquiry. It is my opinion and believe that the company is fraudulent. They promised items "in stock," received irrevocable payment in full from me, yet still waited several weeks to ship me my fully paid for product. As this is very much a time-sensitive product, it seems the company used my money to buy equipment from a chinese company and then used my item until it was not worth much before sending it to me. I could not even break even on this item due to bfl's misleading claims and unwarranted delays. I have considered small claims court but am afraid a judgment against them may be unenforceable, considering they ignored my AG's inquiry and all...
09/25/2014		I ordered two pieces of equipment, the 600gh mining card on 1/22/2014. I paid for item as bank transfer on 1/23/2014. Still have not recieved any hardware.

Complaint Date	Transaction Date	Complaint Info Comments
09/25/2014		I read in a news article you are looking for more BFL complaints. I placed two orders, (\$1591 total) one was delivered (\$308) after 4 months of waiting contrary to the two week stated preorder period. The other order (\$1283) was never delivered and a chargeback was placed and refund issued through the credit card company. Until the credit card company became involved, BFL was unwilling to even discuss the orders. The FTC is absolutely doing the right thing here, please continue investigating. Thank you!Order details:Order #100050323 - Order Date: May 1, 2013Shipment #100004177 - Shipped on 9/13/2013 via USPS Priority Mail, tracking number Order #100061229 - Order Date: May 25, 2013Refunded (actually charged back, they didn't refund me willingly)
09/26/2014	05/01/2013	Consumer complains he purchased item from Butterfly Labs which the FTC has taken action against and wants to be log his complaint.
09/26/2014	08/22/2012	Placed first order for non received BFL hardware on 7/3/2013. Order was then transferred into 1 Monarch order on 10/9/2013 with a 10% transfer fee. Another approx \$2500 was then sent to BFL in the form of BTC along with the original BTC payment. Then I waited for hardware to ship. Still nothing. On 11/28/2013, placed another order for \$105,570.00 for 30 Monarch cards. Then waited patiently for products to ship. Received nothing, but they claimed to have manufacturing and engineering difficulties. OK I believe that for a while. Then summer 2014 passes, and still no hardware, and little signs of progress. Request refund after they want another 35 grand to upgrade my order for essentially faster processing power and shipment. That was not a good answer to my concerns which I had expressed to Paul, the account supervisor. Refund process was started on 8/27/2014, according to Paul's email to me. This would put me on schedule to receive a refund in the next few days, to a week. But now the FTC is involved, so I guess its going to take longer than that. I am hopeful that y'all can help get my money back. Thanks.
09/30/2014		Hi! We ordered bitcoin miners from this company. I then saw articles in the internet saying that this company is under the control of the FTC due to the shipping delays and it looks like you are filing charges for various deceptive practices by the company. I read it on this site: http://www.coindesk.com/ftc-butterfly-labs-held-back-shipments-illicit-mining/ . What happens next? in the case that they are found guilty will there be a settlement? How does that work since we are not citizens of the US? I have the account with the confirmed payments we made as well as scanned copies of the wire transfer we used to pay the company. Please contact me via email at on what we can expect next. Or do i have to write off the money we wired already? Other-Other Update

Complaint Date	Transaction Date	Complaint Info Comments
09/30/2014		I followed the BFL story from the time they began advertising. Anyone mining bitcoin at that time kept an eye on the development story of ASIC mining with a view to purchasing hardware at some time in the future. The key features were the performance vs price; the delivery date vs the projected difficulty; and the power consumed. In early March 2013 BFL provided information on the operation of the chips that led me to believe that a more accurate estimate of the delivery date for their equipment could be made. I placed two orders for a "Single" : 100019336 on 3rd March and 100019347 on 4th March (order id's 38800 and 38811) of these only the later order was paid for using 38 Bitcoin. Delivery was promised for, if I remember correctly, late May or early June. BFL's competitor Avalon publicly stated that BFL's forecast dates were wildly optimistic and that their one month development time would take three months. I estimated Late August when I placed the order. Subsequently, I discovered that the quantities of orders ahead of me in the queue were far greater than anticipated, and rendered my hardware near obsolete irrespective of the delivery date, and BFL did not hold to their promise of shipping hardware strictly in accordance with dates placed. That caused a loss of some 20 BTC by the time the hardware was delivered in mid-October
09/30/2014	03/05/2014	After many excuses and delays I demanded to have my order cancelled and a refund be made. I was informed that you became liable for a refund when the order has not been sent for 6 months. This happened on september 10th this year. I exchanged information oncemore and they promised that the money would be in my account in 30-45 days, i.e. no later then september 25th. Now today I read that the FTC has shut them down and frozen all accounts. Is there any chance i will still get my money back?
10/01/2014		Consumer is a member of the Media; WIBW News Room Radio and is seeking information on the case against Butterfly Labs in Kansas City. States he has spoken to someone with the FTC in the Chicago office and is seeking more information on the case.
10/02/2014	04/01/2014	EMAIL Forwarded from the FTC to the DNC email box. Consumer did not provide complete contact info. CONsumer sent email stating he had sent \$3000 in April 2014 to a company called BTL(Butterfly Labs) for their Monarch Imperial. Consumer has not yet received the software (bitcoin mining)and states he told the company he was not happy thinking anout them mining off his card and calling it testing.

Complaint Date	Transaction Date	Complaint Info Comments
10/03/2014		FTC MATTER/FILE NUMBER: 1423058: Butterfly Labs (BF Labs, Inc.) was in the business of bitcoin miners. BF Labs, Inc. advertised on their website for a bitcoin miner they were then currently developing and they were taking pre-orders for same. I purchased (pre-ordered) 3 Monarch bitcoin miners ([BF Labs, Inc. Ref. #QKJ-661-38854]: Order #BFL-136017169). I wired \$6,664.00 (\$15 bank fee for \$6,679.00 total) funds via my bank, on 01-08-14. After months and months of no equipment being shipped and repeated false updates on the product, the company stated that I could request a refund if I wanted to lose my place in line for shipping. After receiving no refund, I again contacted the company. The company told me they had processed the refund, that it had "gone through" but that it would take a few days to reach my bank. The funds never came. I then checked the website and saw a notice on the website that the company had been placed in temporary receivership. Case No. 4:14-cv-00815-BCW. They list a contact #: eljreceiver@spencerfane.com or 816-292-8316, but no one answers. I have only been able to leave messages. I have left messages repeatedly, with no response to my messages. I believe that the company had no intention to ever send the advertised product out and that they took my money with full intent of perpetrating fraud. They repeatedly lied to me by email and by telephone and intentionally defrauded me of my money.TOPIC:IRS-Referrals Other-Other Update
10/06/2014		I was told by Butterfly Labs that I had to wait 6 months for a refund on my Feb 19 order that was never delivered. I waited 6 months and then requested the refund. They said in email on Aug 19 that I would receive the refund in 30-45 days (by Oct 3). I still have not received this refund and it is now more than 45 days since. Can you get them to issue me the \$8936 refund? Butterfly Labs is not replying to my messages.Order date: 02/19/2014Invoice #100062129 Order #100106576Refund due date: 10/03/2014
10/07/2014	01/28/2014	at the beginning of the year, I wire transferred over \$16,000. They never responded back to me when I would get my products. It's now October and I still haven't received anything from them.
10/13/2014		6-8 months ago, I purchased bitcoin mining hardware from Butterfly Labs for \$3,708.00 via wire transfer. I never received the hardware, so three months later I requested a refund. Apon asking, they told me that I had to wait at least six months before requesting a refund. Sometime during the seventh month, I contacted them again. It's now been over four weeks since emailing them twice and I have not gotten a reply back. Like most would, I googled them and found that the FTC shut them down for a number of reasons. The problem is that I still don't have my money and I'm wondering where I go from here. I have the emails, receipt and most other things I'm guessing you'd like saved on my email stating how much was paid, ect. Please email me at if you'd like those forwarded to you. It was a lot of money for my family and took all of our tax money to pay for it. Please help us. Any help is deeply appreciated.
10/14/2014	02/19/2014	Butterfly labs promised product delivery in a couple of months. After 6 months I requested a refund. Refund not delivered after 45 days. Do they even have the funds left to pay refunds?

Complaint Date	Transaction Date	Complaint Info Comments
10/15/2014	01/29/2014	On Jan 29,2014 I ordered equipment from Butterfly Labs for \$2234.00. This is their invoice #100104848. It was expected to be delivered in April. I contacted them and requested a refund on May 26,2014. They responded stating that all sales are final and I am not entitled to a refund. It is now mid-October. To date I have not received product or a refund, or even an update on my order status. Question? How can sales be final on a product that doesn't exist as a deliverable item? Do unrealistic terms embedded in the fine print of a separate linked 'Terms and Conditions' on a web site void all consumer protections? Isn't there a regulation that requires orders not filled within 30 days must be either cancelled and refunded, or confirmed by the purchaser to remain an open order? This is, in my mind, theft and fraud. How can I either recover my money or press charges? I can provide invoice and all related emails concerning this matter. Other-Other Update
10/15/2014		On November 13, 2013, I purchased and paid in full for a Monarch mining card totaling \$4,698.00. Delivery was promised for early 2014. To date I have not received the product. On September 2, 2014, I learned that I was eligible for a refund, which I requested, and a refund was promised (by "Shawn P") within 21-30 days. To date, neither the product nor the refund has been received.
10/22/2014	11/07/2013	Firstly, I wired them money, they confirmed payment and told me that the product will be shipped at February 2014. Since February they were keep telling me that product isn't ready. I've waited entire year since November 2013 than requested a refund, they told me that they tried to wire the money back but couldn't. I emailed them with question and demands four times and got no answer since then.
10/26/2014	03/25/2013	This is already a high profile case (Butterfly Labs) I'm sure you guys are aware of. I ordered a Butterfly Labs Bitcoin Miner (the then 600GH/s model) on Friday November 29th, 2013 as a "black friday" promotion on their company website. The company took \$3500 from me and never delivered the product. As of 10/26/2014 they still have not delivered. The company is impossible to get a hold of. I want my money back! ~
10/28/2014	12/10/2013	Greetings,I have placed Cloud Mining orders dating back to "12/10/13";Their "time of delivery" was estimated at max 3 months from purchase date.It is now "10/28/2014" and my orders have never been for-filled. I also have multiple emails asking for their delivery dates in which representatives have stated delivery dates at max of Feburary 2013. I've asked for a refund and never got anywhere. Thank you for your time and service against these evil fraudsters. Other-Other Update
11/03/2014		I purchased 2 monarch computer peripheral bitcoin mining cards from Butterfly Labs on 01/05/2014 in the amount of \$4,238.00. I was continually given future dates that the cards would be shipping and nothing was ever received. They had set up a forum that an employee named Josh would update us on the progress of the manufacturing of the cards with expected Shipping times which came and went. Still nothing received, so I asked for my money back in the beginning of October 2014 and received no response from Butterfly Labs so I just recently went back online to see about contacting them again and now I see the company is in receivership? My order for the 2 BPU600C cards was made on 1/5/14 invoice #100057277 order #100099908 or BFL-089269023 and paid by Bank Transfer in the about of \$4,238.00.

Complaint Date	Transaction Date	Complaint Info Comments
11/07/2014	12/02/2013	Actually you know the Butterfly Labs story. I'm one of the defrauded customers. On 28 February 2014 I've paid to Butterfly Labs \$32940 for 15x The Monarch 600 GH Bitcoin Mining Cards and \$22680 for 12 months hosting of those 15 cards at their facilities. Totally \$55620 (bank wire). On 16 June 2014 I've asked Butterfly Labs (through customer support ticketing system on their web site) to make a whole sum refund. On 07 August 2014 they answered I'll be able to receive my money back in 30-45 days starting from 03 September 2014. Their last answer to me was on 09 September 2014 - they were confirming they will make the refund to the bank account I've provided. After that they're keeping silence. Please let me know what should be my actions now to try to get my money back. Thank you.
11/08/2014	01/27/2014	We placed an order for a 28nm bitcoin miner on January 27th of 2014. While the website would not offer a specific delivery date, it stated that orders were being shipped within one month of purchase. After several months waiting for the arrival of our order we requested a refund. We were told that we were not eligible to receive a refund until six months had passed. After six months we requested a refund. We were told that our refund was being processed but would take 30-45 days for us to receive it. Over eight months had elapsed from the time of our purchase when we were finally, or so we thought, going to get our money back. This was the same week that the FTC suspended Butterfly Labs from conducting business. As such, we are still out our \$2234 as well as all of the expected profits from use of the machine. In addition, we have lost money in interest on the money borrowed to make up for the principal and projected revenue. While we are thrilled that you have shutdown these unethical crooks, we were just days away from some compensation when you did. How do we go about getting our money back now? Please help us.
10/31/2014		The Product in dispute is named the Monarch 600, a miner created by Butterfly Labs Inc. Myself and my two step brothers placed an order for 2 Monarch 600's in early January 2014. The company stated that our order would be shipped by April. It never came. Then they promised the order would be shipped by July. It never came. Then, in August, they informed my step brother through email that the order was to be shipped soon. It is nearly November and the order was never shipped nor have we received any information as to when or if the product is coming. Even more so, the product itself at this time is obsolete and is absolutely useless. It bears no more value than a hunk of plastic being sent in the mail. We have tried reaching Butterfly Labs via phone only to get no answer, ever. They stole precisely \$4,400 from my step brothers and I with no apparent intention of reimbursement. A contract was signed and it did state that the date of delivery may not be accurate, that it may take longer. It did not state however that it would take so long that we would one, NEVER receive the product or two, receive it months or even years down the road after it became 100% useless. If this isn't illegal, why not. Is it in fact legal for a company to take your money for a product and either never give it to you or, wait until the product's value becomes zero before sending it to you. If I could receive at least some advice as to how I can open up a lawsuit against Butterfly Labs it would be much appreciated. Thank you for your time and I hope you can help me resolve this. All I care about is getting our \$4,400 back that Butterfly Labs blatantly stole from us in addition to them covering any court fees and possible lawyer fees if it needs to be conducted outside of small claims court. Again, thank you for your time and I hope to hear from you soon. --- CA Source: Web Form --- CA Status: Waiting for Response

Complaint Date	Transaction Date	Complaint Info Comments
11/13/2014	02/01/2014	The consumer ordered a Bitcoin computer from Butterly Labs but never received the item. The consumer has contacted the company several times to no resolution. UPDATE 11/13/2014 Consumer is calling to provide further information.
11/13/2014	05/13/2014	The consumer is stating that he has orderd some items from Butterlfy Labs which he was to receive the items within 2 months but he hasnt received the merchandise that he requested.The consumer has paid 15131.00.

ATTACHMENT B

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Bitcoin miner maker Butterfly Labs receives hundreds of complaints

by [Seth Fitzgerald](#) on May 14, 2014 at 2:38 pm

Sections: [Gadgets](#) / [Other](#), [Web](#)

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There have been a lot of questions and complaints directed at Bitcoin mining company Butterfly Labs in recent months, and documents obtained by [Ars Technica](#) reveal that something is fishy about the company. According to Ars, which received documents via the Freedom of Information Act, 300 complaints have been made against Butterfly Labs with the Federal Trade Commission (FTC).

Since mining Bitcoin is no longer even remotely profitable without a dedicated machine for the process, individuals and groups have turned towards companies like Butterfly Labs to provide Bitcoin mining equipment. Unfortunately, it appears as though Butterfly isn't the best company to work with.

Ars says that almost all of the complaints—some of which have come from places like Estonia and Argentina—state that orders were made but never actually fulfilled and when refunds were requested, no money was given back.

During an April 2014 probation hearing, documents reveal that a Kansas federal judge told Butterfly co-founder Sonny Vleisides that the company has a “strong smell” of fraud about it. This accusation is quite substantial but

for hundreds of complaints—most of which are for the exact same thing—to be made in less than two years, something is definitely strange about Butterfly Labs, even though it is one of the largest Bitcoin mining companies.

A quick Google search shows that the company is at least struggling to meet demand. On Google, Butterfly Labs has a 1.3 star rating based upon 27 reviews, with some of the reviews calling the company a “scam”. It is important to note that when reviews have been done on the mining equipment, reviewers have noted that the machines work well and are very fast. So, instead of Butterfly actually being a scam, it may very well be unable to meet demand and is therefore in a bad situation that it has failed to handle properly.

image via [bitcoinrumors](#)

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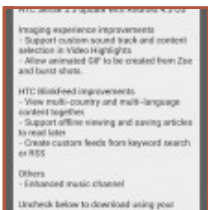
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Butterfly Labs loses wings in court over more Bitcoin fraud

by [Cyril Gilson \(/authors/cyril_gilson\)](#) @ 2014-04-24 11:56 AM

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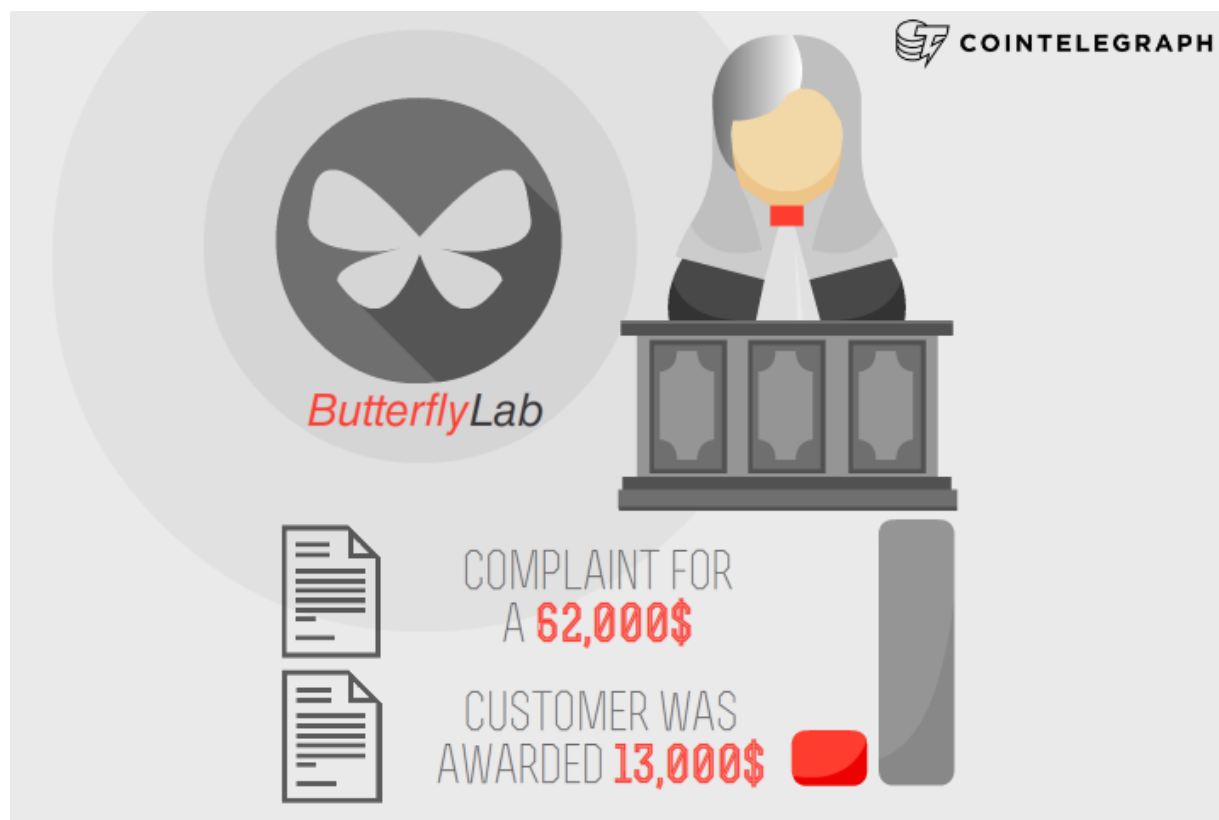
While the storm over Mt. Gox is far from over, now Butterfly Labs' mining equipment saga is joining the party.

The Bitcoin scandals continue in April with another enterprise in court over multiple counts of fraud. Its main shareholder Sonny Vleisides, also an employee and board member, stands accused of deliberately accepting funds for orders which were subsequently never fulfilled.

History of deception

An article by Ars Technica describes how in December 2012 a customer filed a complaint against Butterfly Labs for a US\$62,000 order which he never received. In November the following year, the

company lost a civil case by default in Kansas' Johnson County Court and the customer was awarded US\$13,000 compensation.



This was just the start of the mess involving Vleisides, with another complaint filed this month by customers Kyle Alexander and Dylan Symington alleging “deceptive and unconscionable business practices” on the part of Butterfly Labs.

The nature of these practices were listed as including “collecting pre-payments for non-existent Bitcoin mining equipment, failing to ship Bitcoin mining equipment orders for which consumers have pre-paid” and “misrepresenting the date such equipment is to ship to customers”.

Additionally the two allege “profiting from Bitcoin mining for [Butterfly Labs] own benefit using customers’ equipment without permission or authorization from customers”.

This came at a time when the company was reporting spiraling revenue of US\$25-30 million for 2013.

Following investigations resulting from a probation complaint attached to a previous lawsuit involving Vleisides, it was uncovered that Butterfly Labs had acquired Kansas Bitcoin mining pool Eclipse Mining Consortium in 2012 for US\$100,000. Prosecutors then allege that the company “earns mining income from their burn testing of machines as well as service fees charged to Eclipse customers”.

“Burn testing” as the article points out is explicitly “the company [...] using its own hardware to profit privately before sending miners to people who actually paid for them.”

“Stench”

Coupled with the fact that it was revealed PayPal, acting as payment merchant, had frozen Butterfly Labs’ account in September 2013 containing US\$11 million, it is unsurprising that the case filed on behalf of Alexander and Symington resulted in a judge telling Vleisides,

“Now, there is a stench coming from Butterfly Labs. It’s a strong smell. [...] You need to get your toothbrush and get your things in order, because fraud will not be tolerated, you understand that? So I would work very hard to make these consumers happy consumers who you’ve dealt with.”

The question whether Butterfly Labs is a wholly fraudulent outfit remains unanswered, and the case continues.

The community, however, will have to deal with yet another revelation of dubious business practices facing Bitcoin consumers, at a time when the currency needs all the support it can get in order to gain popularity with the public and find a suitable position with governments and the IMF, among others.

You can read the full Ars Technica article [here](http://arstechnica.com/tech-policy/2014/04/digging-for-answers-the-strong-smell-of-fraud-from-one-bitcoin-miner-maker/) (<http://arstechnica.com/tech-policy/2014/04/digging-for-answers-the-strong-smell-of-fraud-from-one-bitcoin-miner-maker/>).



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Butterfly Labs Delays Continue, 28nm Monarch Delivery Pushed Back to April

Pete Rizzo (@pete_rizzo_) | Published on March 7, 2014 at 18:27 GMT

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Kansas-based bitcoin mining supply firm Butterfly Labs has announced that deployment of its [28nm Monarch mining ASIC](#) will be delayed roughly four weeks.

The most recent setback means those who ordered units, some more than six months ago, will need to wait until April to receive their products.

Butterfly Labs informed the community of the news in a statement [on 4th March](#), which explained that the delay is the result of an issue with the top metal layer of its chips.

[Jeff Ownby](#), the company's VP of marketing and corporate communications, elaborated on the problem in an interview, suggesting that this will be the last roadblock to delivery.

Said Ownby:

"The metal [layer] as designed for [our] 65nm [unit] doesn't necessarily copyover to [the] 28nm [unit]. [...] Everything else that's depending on us putting together a final product is in stock and ready to go, it's just a matter of getting the chips back and putting them on the boards."

[Josh Zerlan](#), the company's VP of product development, also moved to calm frustrated buyers, revealing they would ultimately receive a unit that boasts power consumption numbers that are "better than anticipated", and that some customers would be eligible for full refunds and delay compensation.

[Announced in August](#), the 28nm Monarch unit has been delayed since September when optimism was high that production issues [would soon be ironed out](#). At the time, the company was already developing a reputation for delays and delivery issues, but said it expected the first run of shipments to begin in January or February.

The latest announcement will likely do little to quell concerns about further setbacks.

Performance upgrades

Though he acknowledged some consumers will be disappointed about the delay, Ownby moved to put the focus on the improved product Butterfly Labs' buyers will receive.

Introducing
The Monarch
Butterfly Labs 28nm Technology Bitcoin Mining Card



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Ownby said Butterfly Labs expects the Monarch unit to consume 0.45W/GH, down from the 0.6W/GH [originally announced](#). According to Ownby, this means the end result will be a chip that is less power hungry and more economical than those offered by competitors.

Explaining the significance of the change, Zerlan said:

"To put this in perspective, this makes the Monarch chip nearly twice as power efficient as compared to our 28nm competition whose products operate between 0.9W/GH and 1.0W/GH at the wall."

Delay compensation

In an attempt to assuage customers, buyers who ordered 600 GH Monarchs prior to a reduction in price on 28th November will be given the Imperial Monarch, a high-performance version of the card. The original asking price for the 600 GH Monarch was \$4,680, but this retail cost has since been reduced to \$2,196.

Individuals who have been waiting for less than six months for their order, but paid the full original amount will receive an Imperial Monarch, as well as a 50% off voucher for an additional standard Monarch unit to be delivered at the end of the current queue.

Those who have been waiting for their order for more than six months can elect to receive a full refund in US dollars or double the amount of hardware they ordered.

The post details:

"This latter option will come in the form of (a) first shipping you the new Imperial Monarch, giving you an expected 160-175% of your ordered hashrate, and then (b) an additional Standard 600 GH Monarch at the end of the queue, giving you another 100% hashrate boost, totaling an expected 250+% of your ordered hashrate once all products have shipped."

Customers who ordered the [300 GH Monarch](#) at full price are now eligible for additional offers, though the full details of available compensation plans are not yet available.

Changing industry to blame

The news of yet another delay [angered some customers](#), though others were [less surprised by the announcement](#) given the company's history of shipment setbacks.

However, Ownby suggested that these buyers should have patience with the company as it works through new issues. In his statements, Ownby evoked comparisons to Butterfly Labs' performance, which he suggested is on par with its competitors.

"The only thing that you can do when you're talking about chip development in an industry that's unknown, is you give it the best case that you possibly can from experience. [...] I don't think it works out for anybody. Everybody who's tried to develop a chip has missed their target by some degree. You know it's just the nature of the way things are."

Ownby said that his company has been under the microscope, but that this is due in part to the "exaggerated timelines" it works under.

When asked whether delays will become less regular soon, Ownby once again indicated that this would need to be the result of an industry-wide change.

"The one thing that could come out of this at some point is if someone developed a chip and sold it off the shelf, but I don't see it happening."

Image credit: [Butterfly Labs](#)



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Butterfly Labs anonymously buys Buttcoin.org to remove "scam article"

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In an unexpected marketing move, the Bitcoin mining hardware manufacturer **Butterfly Labs** anonymously bought the well-known website **Buttcoin.org**. The domain is famous for its criticism and funny approach on serious cryptocurrency-related matters, but the situation seems to have changed with the recent acquisition.

The biggest example is the **change in one of Buttcoin.org's most famous stories**: previously an online search for "butterfly labs scam" would return a very special link from Buttcoin. That link revealed an article entitled "The \$22,484.00 Butterfly Labs Mini Rig Bitcoin miner is a huge, broken, unstable piece of s***", which claimed to reveal the "truth" about Butterfly Labs' hardware based on user reports.

Now it simply shows a story with the headline "The \$22,484.00 Butterfly Labs Mini Rig Bitcoin miner is a sexy Bitcoin mining machine".



TechCrunch

But that is not all. The previous owner of the website, Evan (he did not reveal his surname so far), took to Reddit to explain how the sale went down. "I don't want to go to specific into the terms of the sale due to some language in the contract that is tricky, but it was a hair into the five-figure range, yes. Nothing to change anything about my life or anything, but enough to fix some stuff around the house", he revealed, quoted by TechCrunch.



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"The site was a PR4 and had decent traffic for a blog of that type, but I would have been dumb to not take the offer. I have bought and sold websites before and knew this was an overvalued offer. However, since I had been following Bitcoiners for so long I knew most of these guys did transactions that made zero financial sense so it did not seem too unbelievable", he added.

Evan was approached by the buyer, a man named Jeff, a while ago and only found out who he really was when he saw the change made to the Butterfly Labs article previously published on Buttcoin.org. According to Evan, **the buyer is Jeff Ownby, vice-president of marketing for Butterfly Labs.**



*I was tricked into selling Buttcoin.org to BFL and no longer have access to the site so I've set up camp on the sub-Reddit instead so I can s***post about Bitcoins still.*

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'A Strong Stench of Fraud': Butterfly Labs Allegedly Buys Buttcoin.org

Posted On 16 Jul 2014 By : Andre Infante Comment: 0 Tag: Buttcoin, Butterfly Labs

Recently evidence has begun to emerge that ButterFly Labs may have purchased ButtCoin.org, a website that satirizes Bitcoin, about two months ago. In order to understand why this might be the case, let's take a step back and look at how we got to this point.

The Story Thus Far

Butterfly Labs has had a rocky history. The company, which theoretically manufactures dedicated-hardware ASIC Bitcoin miners, originally came into the public consciousness in 2012, when it announced a relatively inexpensive commercial Bitcoin miner, and took in millions in pre-orders. The hardware itself ranged — you could spend \$274 for 5GH/s, all the way up to \$22,484 for 500GH/s. The company immediately proceeded to start making people angry with it a mere four months later, when it missed its first estimates ship date... and then its second. Then its third.

Eventually, the hardware originally intended to ship in October of 2012 finally wound up shipping **a substantial number of units** in late September, 2013 — almost a full year after the original estimated ship date, and well after the hardware in question was obsolete and unprofitable to operate. The company refused to issue refunds, despite the fact that it appears that some of the pre-orders were never filled.



To make matters worse, if you dig into the company a little, a number of unsavory details come to light. The co-founder and CEO of BFL, (more recently, the "innovation officer") Sonny Vleisides, has a criminal record of fraud

in the United States — to be specific, he was convicted of **running a mail scam**, duping the elderly into purchasing tickets in a lottery which did not, in fact, exist.

Following the year-long melodrama surrounding the ASIC miners, a number of unhappy people did what unhappy people often do, and expressed their frustration in the form of lawsuits, filed against BFL in a number of lower courts. Some of the lawsuits **merely accuse** BFL of failing to provide hardware that was paid for, or repeatedly and intentionally misrepresenting the ship date of that hardware. One **goes further**, and alleges that BFL actually held hardware back from their customers, and used it to mine for their own profit, delivering the hardware only once it was obsolete.

In a recent parole hearing for his original offense, a judge came down hard on Vleisides, finding his participation in BFL without permission was a violation of his parole. During that case, it also came out that Vleisides had used company funds to buy a house and an expensive car. During the same hearing, BFL employees called as witnesses also revealed that BFL ran a for-profit mining pool internally, supposedly to “burn test” the hardware they were developing, potentially confirming the accusations of mining fraud. The judge, **as can best be judged from the text of her statement**, was unhappy.

“Now, there is a stench coming from Butterfly Labs. It’s a strong smell. It’s not enough to send you to prison today, because, to be quite honest with you, if it was, we’d be talking about 24 months in prison. It’s not—I think it’s too close. I think [defense witness] Mr. Bourne did a very good job of testifying, and it assisted your defense greatly. But if I find out that there is this fraud word involved in this part, you know, Mr. Vleisides, as we say here at the courthouse, you need to get your toothbrush and get your things in order, because fraud will not be tolerated, you understand that? So I would work very hard to make these consumers happy consumers who you’ve dealt with.”

Over the course of the last eighteen months, the Federal Trade Commission received more than 500 complaints about BFL. To make a long story short, what we’re getting at is that, if anyone is in need of reputation management, it’s BFL, possibly the second most-loathed company in the Bitcoin space, after Mt. Gox.

The Ballad of ButtCoin

So what’s up with the alleged ButtCoin.org purchase?

Take a look at this image, courtesy of **TechCrunch**:



This is the before and after of an article published on ButtCoin.org, before and after the domain was acquired by a man alleged to work for BFL. A few other alterations were made, including revising a post entitled “**ButterFly Labs demo is literally just hot air**” to a simpler “**ButterFly Labs demo is hot.**” The text of that post has been revised to remove the later paragraphs which indicate that the crowds at a booth are employees, and that the hardware being demonstrated does not, in fact, work.

The former owner of ButtCoin.org (“borderpatrol” or “Evan”) **took to Reddit** to tell his side of the story, claiming that he had been tricked by what he believes to be a BFL employee who called himself Jeff (possibly **Jeff Ownby**, VP of marketing) into selling him ButtCoin.org under false pretenses (including a promise that he would continue to write for the site for several months, and a general failure to disclose what the site would be used for). The site was purchased for an undisclosed figure between \$10,000 and \$30,000, and Evan claims to have been immediately blocked from editing the site.

The purchase appears to have been an attempt to whitewash the first page of Google search results for the company, as the revised article pictured is one of the top-ranked results for “ButterFly Labs.” However, it seems difficult to imagine that this is actually a good idea. People discovering Bitcoin for the first time are unlikely to blow thousands of dollars on a piece of mining hardware. People who have been involved in Bitcoin for a while will have heard about ButterFly, and this kind of transparent attempt to manipulate the company’s public image only makes it look shadier.

Evan, for his part, is philosophical:

“I think it’s hilarious. With so many scams and hacks and thefts this really was the only way this could have gone down. Someone actually buying the site and honoring their agreement? No way in hell that would happen if it’s related to bitcoin. There just had to be some sort of gotcha at the end. [...] The bitcoiners on Reddit are trying to use it against me as if I’m some sort of shill and that my reputation has been damaged. I ran a website with a giant butt on the logo, how much worse can my reputation get?”

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About the Author

Raised by a pack of feral journalists, Andre is a lean, mean, insight machine, who sleeps with a copy of “The Wealth of Nations” under his pillow and has strong feelings about fractional reserve lending. He also makes videogames.

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Butterfly Labs COO responds to detractors amid company struggles

David Gilson (@davidgilson) | Published on September 15, 2013 at 10:23 GMT

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Processor manufacturer Butterfly Labs (BFL) has recently been taking a bashing in the press and on the Bitcoin Forum due to delays in deliveries and the release of the its new 28nm processor, the Monarch. CoinDesk contacted Butterfly Labs' chief operating officer (COO), Josh Zerlan, to talk about the delays, the Monarch ASIC and Bitcoin Forum complaints.



Butterfly Labs, one of the most prominent producers of bitcoin mining technology, currently ships hundreds of units of 65nm chips per day. However, the Kansas-based firm has recently struggled to keep up with demand as it is currently manufacturing more units per day than it can dispatch and verify, which has led to frustration for those customers still awaiting delivery of their ASIC miners and who are concerned at the diminishing return on their investment.

CoinDesk put this concern to BFL COO, Josh Zerlan, who expressed his sympathy and understanding for the frustrating situation in which his customers find themselves, both from a consumer perspective and as a former miner himself. Zerlan reported that the company is very aware of the problem and is focusing on increasing its manufacturing capacity, refining its processes and working to improve shipping rates. "If there was physically any way we could ship faster, we would be. We have and are doing everything we possibly can to get these orders out the door as quickly as possible," Zerlan said.

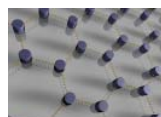
According to Zerlan, some of BFL's previous production difficulties had arisen as a result of an initially strained relationship with Global Foundries, the foundry BFL uses to produce both its 28nm and 65nm process chips.

"The problem you have when dealing with large foundries is they don't want to talk to you, especially when you're starting out," Zerlan said. "They get a lot of people with big ideas but no follow-through so they leave it up to brokers, who purchase time in giant chunks and then sell them to the smaller customers at a mark-up. This leads to a lot of delays and miscommunication issues. Once you get big or well-known enough, the foundry is willing to talk and work with your engineers directly. This greatly enhances communication and speed of things getting done."

However, since BFL started to work directly with the Global Foundries (rather than through a broker), a rapport has developed between the two firms and there may be cause for optimism as manufacturing is now said to be running more smoothly.

Dispensing with the middlemen has also enabled BFL engineers to work directly with foundry personnel and pass on technical details on matters such as chip design, which BFL does in-house. It should also mean that BFL is better able to predict timelines on the wafers and have more leverage in how and when chips are created and shipped out.

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In a further bid to speed things up, BFL is looking at outsourcing some of its production needs to a



local, US-based company, which will assemble the Jalapeno 5GH/s miner line. What's more, it will add extra staff to its shipping department and customer service team. Finding suitable candidates for the latter has proved particularly challenging as, in addition to the typically desired skills of good communication abilities and attention to detail, hires for the customer service team need at least a rudimentary understanding of bitcoin, which is no small ask.

The [Butterfly Labs](#) COO was also keen to clear up confusion about the availability of its new mining card, the 28nm Monarch ASIC, the release of which [generated controversy](#) amongst those still awaiting delivery of their longstanding 65nm-based products.

Zerlan stated that there are several months to go before "we see the actual chips in hand" because the 28nm chips are still on the tape-out process but revealed that BFL are set to do what he described as a "bullet run", which will produce a limited number of chips in 24 days (versus the normal 75-90 days required for a typical foundry run). This will not only enable Butterfly Labs to verify that the chips are working as expected but would also allow a small volume of customer orders to be shipped sooner than initially anticipated.

However, the amount of advanced chips Butterfly Labs can generate via bullet run production is constrained by both the high cost of such an exercise and also because [Global Foundries](#) only operates a limited number of bullet run slots. According to Zerlan, the additional cost incurred by bullet run production would be borne by BFL and not by consumers.

"The bulk run of chips should take place a few weeks after the bullet run, which is where many of the later orders will come from. That is expected to start shipping sometime in late January or early February 2014. As I get more information, I intend to keep everyone updated as much as possible," Zerlan told CoinDesk.

When asked if any prototypes of the 28nm process chips had been produced, Zerlan said there had not been any. He pointed out that, whilst every other vendor is working on their first-generation product, this would be BFL's second-generation ASIC and therefore the simulation models are likely to be far more accurate, making prototypes less relevant.

"Unfortunately with our first-generation FPGA product, the simulation models were way off in terms of power and hash rate. However, with the lessons from that exercise, the second-generation FPGA simulation models have been much better and our second-generation FPGA product has actually outperformed the simulation."

The question then is whether the steps being taken by BFL will do anything to assuage the dissatisfaction expressed by its customers, some of which has led to heated exchanges between Zerlan and a number of participants of the Bitcoin Forum. Zerlan dismissed some of BFL's detractors on the Forum as "known trolls" who were seeking to portray BFL in a bad light whilst he claimed that others were trying to encourage people to cancel their orders so that they would move up in the shipping queue. "BTC mining, being a zero sum activity, makes it viable and profitable to get as many people to cancel their orders as possible, so your position improves," said Zerlan. "That's really the crux of it: the less people mining, the more money you make as a miner."



Josh Zerlan, COO of Butterfly Labs

The Bitcoin Forum has also been the scene of a more controversial exchange surrounding [allegations](#) that BFL's VP of product information, Sonny Vleisides, has a criminal record. Addressing the issue, Zerlan said: "Sonny tried to start a thread to answer questions but it devolved rapidly into a troll fest. As a result, it was decided that trying to answer questions rationally was a pointless endeavour and he has since stopped responding there... The fact that we've delivered two generations of FPGA products and one generation of ASIC products should be fairly indicative that BFL is not a scam."



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"Would an attack be disruptive? Sure. Would it be fatal? No."

Jon Matonis, Bitcoin Foundation

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Zerlan described the Vleisides issue as "wholly immaterial" in terms of its relevance to and impact on BFL's performance. If the Monarch proves to be a success and customers start to receive their processors in a more timely fashion, he should be proved right and the company will be garnering a more positive reception in the press and from the wider bitcoin community. Until then, it seems like the company has a lot of customer faith to regain.

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Oct 24, 2014 at 15:26 | Nermin Hajdarbegovic

Butterfly Labs Urges Court to Dismiss FTC's 'Self-Serving' Fraud Charges

Embattled mining hardware company Butterfly Labs has filed a court motion to dismiss a Federal Trade Commission complaint.



Oct 7, 2014 at 20:01 | Stan Higgins

Mining Roundup: Pen-and-Paper Mining, ROI Uncertainty and the Latest on Butterfly Labs

This week's roundup includes an interview with the FTC and a look inside pen-and-paper bitcoin mining.



Oct 3, 2014 at 02:35 | Pete Rizzo

Butterfly Labs to Resume Limited Business Operations

Butterfly Labs has announced that it will resume limited business operations following discussions with the FTC.

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BFL is way more than just a company that made a few mistakes and had some production snags. They are almost a YEAR later than their initial shipping estimates, which makes their products irrelevant by the time they reach their customers. This poorly run company has zero hope of regaining the faith of their past customers, but fortunately for them a sucker is born every minute. They'll find a bunch of new victims to lie to and disappoint.

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Butterfly Labs Faces \$5 Million Lawsuit Over Unfulfilled Order

Nermin Hajdarbegovic | Published on February 6, 2014 at 17:29 GMT

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Butterfly Labs is facing a lawsuit for over \$5 million that alleges that it was negligent in its business dealings, and even accuses the company of [downright fraud](#).

The suit was brought by Martin Meissner, who placed a \$62,000 order for BFL miners back in March 2013. Meissner claims he did not received the units or a refund for his payment, [according to a report in Ars Technica](#).



The suit was filed in December, and it accuses Butterfly Labs of fraud, negligent representation and breach of contract.

Motion to dismiss

Butterfly Labs and its attorneys refused to comment on the matter, but Meissner's attorney, Robert Flynn, was keen to share his views, saying to *Ars Technica* that he has been contracted by multiple people with similar complaints, but this is the first one to result in a lawsuit.

Although Butterfly Labs isn't talking, it is making some legal moves. Earlier this week, the company filed a motion to dismiss Meissner's claims, arguing that it does not state a claim that can be compensated.

The plaintiff "is not entitled to consequential damages as a matter of law because they are too speculative," the company said.

Delays and disputes

On March 25, 2013, Meissner ordered two 1,500 GH/s bitcoin miners (product code MRG015T) and transferred \$62,598 to Butterfly Labs. The contract stated that initial shipments were expected in April, but, since products are shipped according to the order queue, Meissner would get them "two months or more after order."

Things quickly went downhill from there. In May, Butterfly Labs told Meissner that they received his payment, but they were unable to match it to any order until they got an email from him. Butterfly Labs invoiced him the same day. However, Meissner's miners were not shipped. Instead Butterfly Labs offered to ship him six 500GH/s miners but it is unclear whether Meissner accepted or refused the offer.

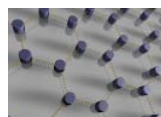
This is where it gets a bit blurry, but, in any case, Meissner did not receive the 500 GH/s miners, either.

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In mid-October, Meissner's lawyer sent the company a letter, saying that any shipment at such a late date would be refused. Butterfly Labs refused his request for a refund, saying that all sales are final. However, Meissner argues that no sale was ever made, since he never got the product.

'Speculative claim'

The most obvious question is why Butterfly Labs allowed the dispute to escalate and get them in the news. After all, it could have refunded Meissner and sold the miners to someone else, when they become available.

There is a bit of a problem, though. Meissner is not just asking for his \$62,000 back – he also wants compensation for lost revenue. The complaint states that Meissner missed out on an opportunity to mine between \$5- and \$7.5-million worth of bitcoins.

The complaint states:

"Plaintiff Martin Meissner prays for judgment in his favor, and against Defendant BF Labs Inc., on all claims; that the Court award him the full extent of his damages, including direct damages of \$62,632.19 and consequential damages in excess of \$5,000,000.00; for costs and attorneys' fees; and for all such other relief as the Court deems just and equitable."

This is probably why Butterfly Labs insists his damage claims are "speculative" and dismisses them outright.

Call in the jury

Butterfly Labs blames Meissner for the mess, insisting that his order was not finalized. Although it received the payment in March, it could not tie it to any existing order, as it did not include an order number. The company then waited for Meissner to get in touch, which he did in May.

A Butterfly Labs document sheds more light on the matter: "In the case of the product generation (65nm) that the Plaintiff pre-ordered, BF Labs experienced technical delays in its development that held up manufacturing the new technology at commercial scale". It continues:

"When BF Labs had resolved the issues and was ready to commit the orders to the final stages of manufacture, an email notice was sent to customers advising that orders would be shipped as produced and that if anyone was unwilling to endure the wait, they had a final opportunity to cancel their order and receive a full refund."

In addition, the company points out that it increased its prices in April 2013, following a rise in the price of bitcoin. Since Meissner's order was not finalized, Butterfly Labs assumed it was abandoned when he did not reply to the email notice.

This is not the first legal dispute involving a mining hardware company and it probably won't be the last. There are always risks involved with pre-ordering untested and unproven silicon, regardless of legal fine print. In this particular case, it may be that both parties share at least part of the blame, but that's ultimately for a jury to decide.

[Butterfly Labs](#) [Lawsuit](#)

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Butterfly Labs Faces Class Action Suit Over Pre-Pay Orders

Nermin Hajdarbegovic | Published on April 8, 2014 at 17:08 GMT

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Bitcoin miner maker Butterfly Labs (BFL) is facing a class action suit, brought by customers from across the US.

The class action was filed through [Wood Law Firm LLC](#) by a group of BFL customers challenging the sales and advertising practices of the Kansas-based mining outfit.

Customers claim they ordered and paid BFL mining gear which they never received, or which they received long after BFL's promised shipping date.



Not the first time for Butterfly Labs

Disputes are quite common in the world of [mining hardware](#). Manufacturers are often keen to accept as many pre-orders as possible, often months ahead of the actual shipping date. The money is then used to complete development and manufacture the mining rigs.

Designing ASICs is a tedious process and from the design to tape-out and production, it usually takes on the order of several months – and that's provided that everything goes according to plan.

In the world of silicon mistakes happen quite often. If the tape-out goes wrong, new chip designs need to be re-spun and put through the same process again. This often happens to big chipmakers, let alone small ASIC designers.

Even a minor glitch can result in a huge setback and due to the nature of bitcoin mining, and a short delay can result in a lot of lost revenue. BFL was forced to delay its [28nm Monarch mining ASIC](#) last month. This was the last straw for many customers, as the ill-fated Monarch was delayed several times since it was announced in August 2013.

The second problem is not of a technical nature. Many companies accept bitcoin payments, which can prove quite risky in the long run. Price swings are just part of the story, as many consumer protection regulations simply do not apply to bitcoin purchases.

This already led to one lawsuit against BFL earlier this year. The company was sued by Martin Meissner, who ordered a couple of miners for \$62,000 in March 2013. The order was delayed and there appears to have been a lot of miscommunication between BFL and Meissner, who eventually decided to get a lawyer and sue the company for damages.

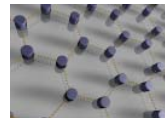
[Meissner sued BFL](#) for \$5m worth of lost revenue, but the company insists the claim is "highly speculative."

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Class action alleges BFL mined for bitcoins

Meissner was not alone. The new complaint, filed before the [United States District Court](#) for the District of Kansas, is seeking to recover pre-payments made to Butterfly Labs and the losses incurred by the customers due to the company's conduct.

The lawsuit alleges Butterfly Labs required customers to pre-pay for orders of [ASIC-based bitcoin mining hardware](#), and used portions of customer pre-payments to make loans to shareholders and purchase a house and automobile for a shareholder.

Obviously the whole point of taking pre-orders and pre-payments is to develop the actual products, not to buy cars and homes, so understandable that consumers have no understanding for BFL's excuses. Attorney Noah Wood, one of the lawyers for the customers, stated:

"Bitcoin is an exciting and promising new technology. Unfortunately this also makes it an attractive area for people running scams and frauds. Stopping the bad actors and staying vigilant against consumer fraud is absolutely necessary for the successful development of the bitcoin ecosystem."

The customers allege BFL may have collected over \$25m in pre-payments.

Furthermore, the complaint states that Butterfly Labs violated an agreement with customers by mining bitcoins itself. The company told customers that it would not use its own gear to mine bitcoins, but it allegedly did so under the guise of testing new hardware. It is alleged that the "testing" was actually done to generate cash for BFL at the detriment of customers, as BFL used customers' hardware to mine for bitcoins, increasing the overall mining difficulty in the process.

BFL strongly denies the allegations. A company representative told CoinDesk:

"Butterfly Labs does not believe this lawsuit has any merit, and we are working with our attorneys to clear this up as quickly as possible."

The complaint alleges that by the time consumers actually received their equipment it was rendered useless by the increase in computational difficulty.

It remains to be seen whether customers can prove BFL actually used the rigs for more than just "testing". Both sides appear confident that they will have the upper hand in court.

[ASICs](#) [Butterfly Labs](#) [Butterfly Labs Monarch](#)

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Butterfly Labs Shipping Still A Year Behind, Broken Promises

 djbooth007  Posted in Bitcoin Mining, Blog



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Since beginning to send out a trickle of ASIC orders in April 2013, one year after first taking pre-orders, Butterfly Labs continues to anger customers, break promises and fail to meet their own expectations.

An official post from BFL_Josh ([read here](#)) said that all pre-orders will be fulfilled by mid-September 2013. This looks to have been sheer guesswork, and terribly inaccurate.

"We still expect the current back order backlog to be cleared by the middle of September or so, although given what we can likely achieve with our production rate, I suspect it may be sooner than that. No guarantees on that either way, though." - BFL_JOSH

Share This Quote:

For a moment, if you can, bravely lift your head out of your hands, stop rolling your eyes, and don't get angry. But I have something to point out.

Butterfly Labs customers who ordered [bitcoin](#) mining hardware over one year ago are STILL waiting for their Single SC's.

With mining difficulty rising and practically no hope of achieving return on investment (save for a 10x increase in [bitcoin price](#)), many customers are seeking refunds.

Adding more fuel to the fire, Butterfly Labs' early promises of shipping hardware in the order in which they were paid has proven to be yet another dagger in the eye of previously happy customers.

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Random Bitcoin Quote

Profit is the reward for correctly realizing an aspect of reality in advance of your peers.

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You Get Bitcoins

Jody's Shipping blog [clearly shows](#) the order position has no bearing on when units will be shipped.

"Jalapenos 4.5 and 5 gh/s: Feb 12-14, 2013, Little Singles 30 and 25 gh/s: Nov. 6, 2012, Singles 60 and 50 gh/s: Aug 6,7, 2012, MiniRigs: June 23 orders (3rd 500gh/s unit), July 2 orders 2nd 500 gh/s August 2 for 1st 500 g/s units." -

BFL_JODY

Share This Quote:

Possibly, in an attempt to stop the blood-loss, Butterfly Labs have launched a marketplace for selling your pre-order position to other ~~suckers~~ customers.

BFL announced on their [Facebook page](#) the following:

Announcing a Pre-Order Marketplace

New customers frequently ask us how they can move up in the order queue, and at times offer us more money to do so. Of course, we refuse. We also have customers who decide to sell their orders on [eBay](#) or other venues. Unfortunately, doing so requires a secure form of transfer, and the trust factor simply makes it difficult for a seller to find buyers.

Butterfly Labs is excited to announce a platform that will help merge the needs of both parties. Starting today, a seller will be able to announce the sale of their pre-order position in our classifieds forum. They will establish the terms of sale and make the deal on their own. Once a deal has been made, they will use the transfer system in their account Dashboard to transfer an order to a new owner. When both parties verify and agree to the terms, the order will be moved to the buyer's account.

We expect the order transfer system to be in place by September 10, 2013. We are posting this information now so that you can get a head start posting and selling your order positions in preparation of the launch of this program.

Butterfly Labs will only provide the platform for the order transfer to take place. We are not responsible for any deals made between our customers. Use of the order transfer system is solely the risk of the parties making the order transfer deal. Buyer's must agree to the original terms of the sale, and specifically to the no refund policy.

PuertoLibre was brave enough to [offer a translation](#) of what this meant.

We have a retention problem. People aren't willing to wait until the order queue is fully processed. So they are "bailing on us" for other companies with better offers and forcibly pulling money out of our bank accounts.

We couldn't figure out a way to keep them waiting in line and leaving with their money. We are letting people with spots closer to being serviced in the backlog to sell off their order numbers for some monetary sum. Which means we will keep our newer customers and give "added" value to those who no longer want their orders. (thereby circumventing the forced refund process)

So go along with us. We need this cash. We need to keep our newer customers and our cash flow is probably running real low.

Transfer your unwanted position in line for some cash and keep us solvent, pretty please!

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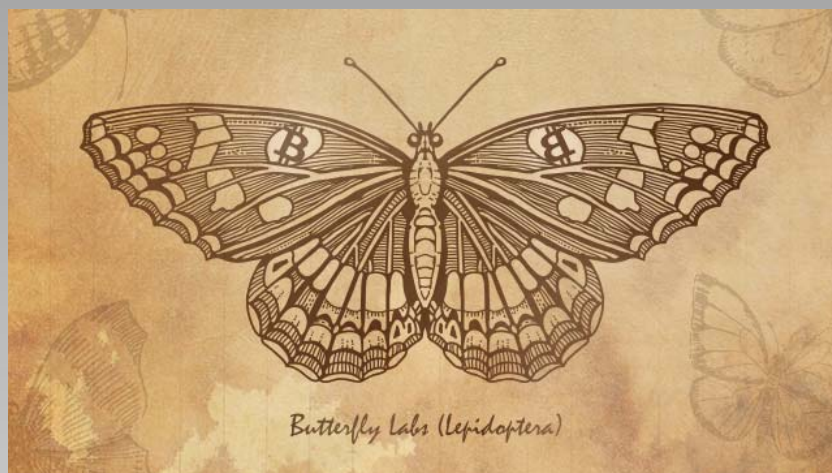
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Digging for answers: The “strong smell” of fraud from one Bitcoin miner maker

A Butterfly Labs exec loses a probation hearing, but details from the case are worse.

by Cyrus Farivar- Apr 22 2014, 12:00am EDT

109



Aurich Lawson / Thinkstock

For many crypto-minded libertarians, Bitcoin is the future of money. But that dream hasn't been helped much by the numerous high-profile legal cases involving the currency in recent years: [The Bitcoin Savings and Trust hedge fund](#) collapsed; uncertainty fueled the [implosion of Mt. Gox](#), the currency's largest exchange; and the high-profile [Silk Road takedown](#) is a treacherous story combining Bitcoin, drugs, and alleged murders.

For now, though, one company sits above all others when it comes to cultivating a new level of direct customer mistrust in the Bitcoin community: [Butterfly Labs](#).

For the past year, the Kansas-based Bitcoin miner maker has been embroiled in numerous accusations of fraud. Customer orders, totaling millions of dollars, were significantly delayed or never fulfilled. Through it all, the company insisted that mere manufacturing delays were to blame. However, suspicion never died down. In fact, it's getting worse after it came to light that Butterfly Labs' largest shareholder—a man who is a company co-founder, current "Innovation Officer," and member of the board of directors—pled [guilty](#) in 2010 to one count of [mail fraud](#) (PDF) for his involvement in an international, multi-million dollar lottery scam.

Now, the company's critics have fresh ammunition because of this same executive. A federal judge in Kansas has ruled that the man in question, [Sonny Vleisides](#), violated the terms of his probation in the lottery scam case. As a result, Vleisides' probation—previously slated to end in September 2013—will now continue for another two years. This ruling is Butterfly Labs' least concern. In light of new details from the recently published [transcript](#) of that January 2014 probation hearing, the legitimacy of the Butterfly Labs operation could soon be decided once and for all.

“I’m on a good track now”

According to the [United States Postal Inspection Service](#), victims collectively lost more than \$25 million during the lottery scam Vleisides participated in. The government accused his father, James Ray Houston (who has since passed away in prison), of being the mastermind behind the entire scheme. As the USPIS [wrote](#) in January 2011:

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For months now, Butterfly Labs has faced anger regarding delayed orders.

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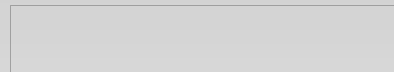
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According to the indictment, the victims were purchasing “positions” in tickets for lotteries that would be grouped together or “pooled” to buy larger blocks of tickets, thereby increasing their chances of winning. Funds received from victims were not used to purchase tickets, but to pay “winnings” to other victims, to fund the scheme, and to benefit the defendants. Victims were sent checks falsely represented as lottery “winnings;” however, the amount of the alleged “winnings” was far less than the amount the victim had sent in.

Vleisides and three others were also implicated in the scam, and he took a plea deal. In a [post on Bitcoin Forum in September 2012](#), Vleisides described the experience this way:

After two and a half years preparing, we neared trial. The prosecutor calls for a meeting and offers me a deal. I can go home if I accept a single count of mail fraud and skip the trial. They would drop 23 charges and leave me with a simple postal violation (lesser count of mail fraud). I thought about it and it didn't take long for me to agree to get the shackles off. I signed and went home to my mother's house in Kansas City. I sat there looking at the wall for a long time. I didn't feel like leaving the house much. It was difficult to get over the emotional loss. My life was ruined. Mom got me an account on match.com and encouraged me to date. I met a wonderful girl and we had a little boy. We named him Indy. My life continued and I started to look for a new project to begin again. A fresh start. I'm on a good track now, trying to put the past behind me.

When Vleisides moved to Missouri, his case was transferred to that federal district for judicial supervision of his probation, which included this “special condition”:

The defendant shall not engage, as whole or partial owner, employee or otherwise, in any business involving loan programs, gambling or gaming activities, telemarketing activities, investment programs, or any other business involving the solicitation of funds or cold-calls to customers without the express approval of the Probation Officer prior to engagement in such employment. Further, the defendant shall provide the Probation Officer with access to any and all business records, client lists, and other records pertaining to the operation of any business owned, in whole or in part, by the defendant, as directed by the Probation Officer.

Vleisides recovered from his mental slump and soon helped start Butterfly Labs. According to a [2012 court document](#), Vleisides' lawyers say that BFL “began on napkins, scraps of paper, and spare parts on his kitchen table,” adding that “the hours that Mr. Vleisides has put in to develop the product have been long and arduous. There have been times when he arrived before the sun came up and left after it went down.” While Vleisides was “remorseful about what has occurred,” he was looking toward a better future, they added. “The justice system could not ask for more from a person that has been punished.”

Revenue and a growing rap sheet

But on September 3, 2013, Vleisides' probation officer, Courtney Pierce, filed a violation report with the Missouri federal judge handling his case (just over two months after Ars published our first articles about Butterfly Labs and its mining machines). In her [memo to the judge](#), Pierce wrote that Vleisides was now an employee of and the dominant shareholder in BFL, a company which “advertises all of its technology for purchase through pre-order... Vleisides did not seek the express approval of the probation officer prior to engaging in a business that involves the solicitation of funds through pre-orders.”

She continued:

The Probation Office has been notified by the US Postal Inspection Service that hundreds of complaints have been filed against BFL from individuals who have placed pre-orders for hardware from BFL.

The seriousness of Vleisides' instant offense [the lottery scam], coupled with his current involvement in a somewhat similar business enterprise are cause for concern.

Before Vleisides' violation, BFL was already facing accusations of fraud and mismanagement. In December 2013, a German-Polish man who lives in China [filed a lawsuit over a \\$62,000 order](#) that was never fulfilled; he accused BFL of breach of contract, fraud, and negligent representation. And Butterfly Labs lost a civil case by default in Kansas' Johnson County Court in late November 2013. The [plaintiff](#), a Californian named [William Lolli](#), won a [judgment](#) of more than \$13,000 but told Ars that he has not yet collected the award.

The company's troubles may only worsen from here. A new lawsuit filed in early April 2014 (read the [21 -page complaint](#)) accuses BFL of engaging in “deceptive and unconscionable business practices.” The suit, which seeks class-action status, was [filed earlier this month in Kansas](#). It accuses BFL of

Obscenity laws prevent Indian release of *Dragon Age: Inquisition*

collecting payment for “non-existent Bitcoin mining equipment, failing to ship Bitcoin mining equipment orders for which consumers have pre-paid, misrepresenting the date such equipment is to ship to customers, and profiting from Bitcoin mining for Defendant’s own benefit using customers’ equipment without permission or authorization from customers.”

BFL, its corporate attorney, Vleisides, and Vleisides’ criminal attorney all failed to respond to Ars’ repeated requests for comment. But it’s clear that despite all the legal wrangling, the company is doing well. According to testimony from BFL’s *de facto* chief financial officer, the company expected to earn \$25-\$30 million in revenue in 2013.

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Cyrus Farivar / Cyrus is the Senior Business Editor at Ars Technica, and is also a radio producer and author. His first book, [The Internet of Elsewhere](#), was published in April 2011.
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Ahhh Butterfly labs... You're breaking our hearts!

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 we are collecting complaints against Butterfly Labs - please read below for information

Like many tech based companies, Butterfly labs has had some "Growing Pains" along the way; with everything from Tech Support, Customer Service, Expected Delivery Time, Broken Promises and now Broken Hearts!

Butterfly labs is the bitcoin company that everyone loves to hate but is it for good reason - after all they do deliver? With that thought, in November 2013, I scrapped around nearly \$10,000 for two 600GHs mining cards by selling some coins, borrowing money and doing unmentionable favors for some time to come.

Now, many will be shouting *WHY BUTTERFLY LABS - THERE ARE OTHER CHOICES*. Well, yeah there are but unlike Butterfly Labs, some companies did close up shop and disappear with no product delivered. At least Butterfly Labs seemed like they knew what they were doing this time around.

After handing over a serious chunk of money, my order said "Processing." Now, you would expect a placed order to say something like, "Order Placed" but alas it did not - I mean, when you checkout online, processing does not mean the order is completed - It usually implies there is a last step from the seller. With that thought, I picked up the phone and tried to call but for some reason, no one answered. Huh - I'm pretty sure it's within the business hours listed on their site. No worries, let's send a friendly email - I'm sure they will get back to me pretty quickly - after all, I just spent enough to buy a fairly nice used car (which I could really, really use, by the way). Huh, still no answer after that friendly email. Well, that's weird.

I sent another e-mail and they still didn't respond. And, again no response and again no response. And again - well, you get the idea. I picked up the phone every now and then but that was futile experience. I guess I can't say they have bad customer service because they have NO CUSTOMER SERVICE. Well, I guess that's one approach.

Here we are months later and absolutely no response. So, I go to their website just to see if there is any news and what I saw, I could not believe! They dropped the price by 55%. I thought to myself, "Wow, that's a nice refund to expect - maybe I can apply it to more hardware!" and then I remembered the ZERO CUSTOMER SERVICE EXPERIENCE. **Then The RAGE Set In.**

Okay, okay, count 1...2...3... - ahh, all better! Well, not yet but that's why I wrote this.

I remembered that we are all beings of this extraordinary planet and we *usually* don't try to intentionally hurt each other. I think Butterfly Labs just needs to know how we as a community feel about this situation and I am sure they will rectify it on some level. After all, they significantly changed the price on an item no one has received.

**This is their opportunity to show us what kind of company they want
 to be rather than what they have been.
 It is time for the caterpillar to really turn into the Butterfly.**

To help them with the metamorphosis, I made this page and a form located here. This form is used for an online petition so that everyone hurt by Butterfly Labs can get on the same page and we can join together. In addition, I will send Butterfly Labs a printed copy of everyone's form. You can use this form for existing orders as well as previous grievances against Butterfly Labs. Your personal information will be kept confidential, but please provide enough public information so that we can all get on the same page and support each other.

Let's open their eyes together! What we can do in community is infinitely grander than what anyone of us can do alone.
 Thank you,
 Go Bit Go

P.S. - Before you try to contact the Better Business Bureau about Butterfly Labs, **their current BBB rating is a solid "F" - Now, this is not on a scale from A to Z...**

To participate in the petition, [click here and fill out a simple form](#)

DONATION - Please support our cause.

Donate specifically to this issue. All donations will go toward advertising information about Butterfly Labs via google adwords and/or other ppc advertisers, as well as ads on forums. I will be contacting forum owners for rates to support our cause.

Thank you for your help and participation.

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Bitcoin News & Analysis



Should You Trust Butterfly Labs for Bitcoin Mining Hardware?

Butterfly labs is notorious for being one of the early providers for bitcoin mining hardware. They sell and distribute ASIC mining hardware to people who partake in mining, but are they trustworthy enough to do business with based on their past actions?

If you've been an avid participant in the bitcoin mining community, you'd know the general negative stigma that many miners give to butterfly labs. [Mining bitcoin is something that has evolved](#) in difficulty overtime, and butterfly labs has been accused of misusing that rise in difficulty against miners themselves.

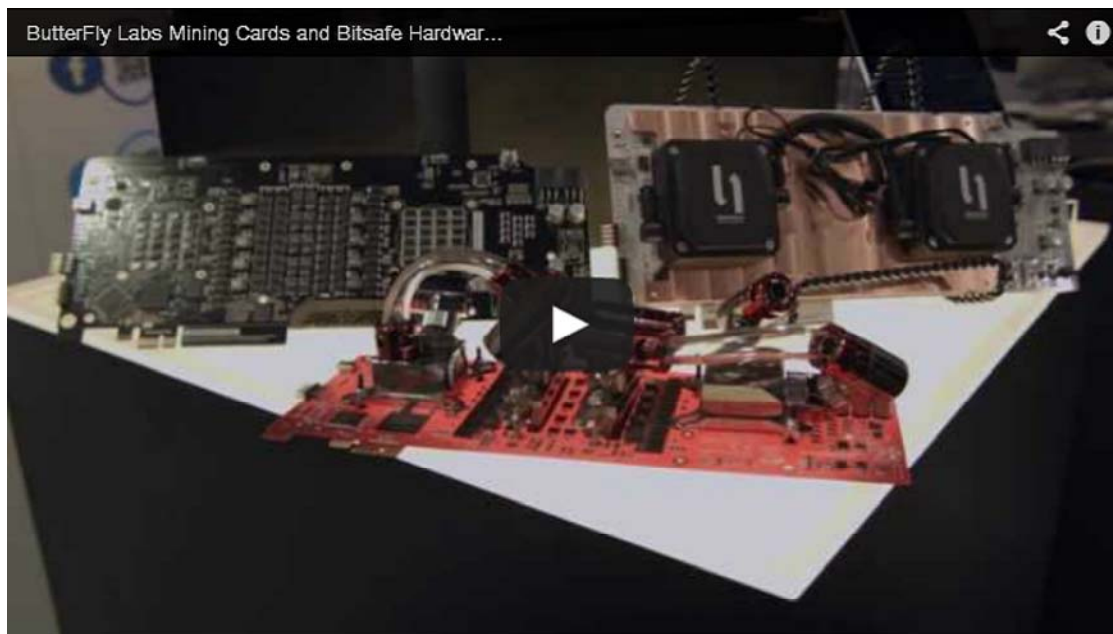
As better computers compete for the block reward that the software behind bitcoin gives out, the investment in both time and money is gradually increased. Here lies the problem as delays in shipment for mining hardware can result in serious losses for miners. This was a severe financial problem for miners during the time that the price of bitcoin appreciated immensely in late 2013, as any delays in

shipment resulted in lost potential profits. Butterfly labs was accused of purposefully delaying the shipment of ASIC miners, resulting in more sales for them and more losses for miners.

The bitcoin [mining](#) business is known to be cruel, as miners must grant the suppliers a lot of trust when the slightest margin of error can make the difference between a profit and a loss. The laws surrounding bitcoin mining are nonexistent, at least in the US, and many legislators aren't familiar with what mining truly entails. The FTC has received numerous complaints about butterfly labs, and the company itself has had a few lawsuits tossed at it, primarily being from the US.

What's more, butterfly labs has recently bought a website that creates satire out of the bitcoin community and bitcoin itself, ironically being named [buttcoin.org](#). The exact purchase price is unknown, but the previous owner of the site has reported that it was sold within the five figure range. The reason butterfly labs spent five figures was that [buttcoin.org](#) [ranked well in Google's search results](#), and they had an article that defamed butterfly lab's brand as a whole.

As far as future business with butterfly labs goes, it's probably best if you approached any transactions with precautions. Keep in mind that the law hasn't yet caught up to many facets of bitcoin yet, and that it may prove difficult to get a refund of any kind in the case that you're unsatisfied with your purchase.



With all precautions aside regarding butterfly lab's business ethics, their hardware is known to work as described in most cases. As long as they deliver on time with no hassle, you shouldn't have much of a problem with mining afterwards. Once again, the reason there's so much angst against butterfly labs is

that they prolonged the delivery process, and that threw off calculations that miners would make in regards to profitability.

Should You Trust Butterfly Labs for Bitcoin Mining Hardware?

This entry was posted in Bitcoin Analysis & Insight on July 20, 2014 [<http://www.panture.com/trust-butterfly-labs-bitcoin-mining-hardware/>] .

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We Need to Talk About Butterfly Labs

Samuel Barnes (/author/samuel-barnes/)

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10 Comments

Updated: May 15, 2014 at 4:24 pm CET.



(/wp-content/uploads/2014/05/bfl.png)

Entities like Butterfly Labs are an obstacle for the future success of Bitcoin.

Butterfly Labs

(<http://www.butterflylabs.com/>) is a problem. Not only because of an overarching plan to fleece Bitcoin users with empty promises but the audacity to proudly represent leading cryptocurrency entrepreneurs with an unprofessional attitude. If the people working at Butterfly Labs legitimately see Bitcoin as a game changing technology they are doing an appalling job

(<http://trilema.com/2013/preemptive-strike-to-have-on-hand-for-when-butterfly-labs-gets-hauled-off-to-jail-in-corpore/>) of exemplifying the entrepreneurs involved with cryptocurrency as arguably the most prominent ASIC provider. However, I suspect that their loyalties lie with the cold hard cash

([//bitcointalk.org/index.php?topic=114329.0](http://bitcointalk.org/index.php?topic=114329.0)) they obtained from a

[\(//hashcoin.com/\)](http://hashcoin.com/)

willing userbase. Cryptocurrency enthusiasts need to wise up to well designed websites with lofty promises before diving into a seemingly promising product.

CCN

To put it lightly Butterfly Labs doesn't have the best track record at this stage. They have consistently [time](http://codinginmysleep.com/more-asic-delays-from-butterfly-labs/) [\(http://codinginmysleep.com/more-asic-delays-from-butterfly-labs/\)](http://codinginmysleep.com/more-asic-delays-from-butterfly-labs/) and [time](http://bitcointalk.org/index.php?topic=280630.0) [again \(//bitcointalk.org/index.php?topic=280630.0\)](http://bitcointalk.org/index.php?topic=280630.0) pushed back deliverable dates for consumers who have made a considerable down-payment for the sake of the delivery date that came and went. A huge issue for products that are incredibly time-sensitive such as ASIC miners that become more useless as time passes as a result of [rising network difficulty](http://bitcoindifficulty.com/) [\(http://bitcoindifficulty.com/\)](http://bitcoindifficulty.com/). Sure, the occasional product was shipped to media or those on the favorites list but to the detriment of consumers who had believed in the company from early days and put their money where their mouth was. Butterfly Labs not only has a lazy and half-baked attitude to deadlines but to the quality of their product and customer service. On early batches [the number of actual chips on each ASIC was cut down in favour of overclocking](http://arstechnica.com/tech-policy/2014/05/in-18-months-feds-got-nearly-300-complaints-about-bitcoin-miner-maker/) [\(//bitcointalk.org/index.php?topic=150803.0\)](http://arstechnica.com/tech-policy/2014/05/in-18-months-feds-got-nearly-300-complaints-about-bitcoin-miner-maker/) to achieve the same hashrate but costing the consumer longevity and power efficiency. Practices such as these lead to [283 complaints being filed to the Federal Trade Commission](http://arstechnica.com/tech-policy/2014/05/in-18-months-feds-got-nearly-300-complaints-about-bitcoin-miner-maker/) [\(http://arstechnica.com/tech-policy/2014/05/in-18-months-feds-got-nearly-300-complaints-about-bitcoin-miner-maker/\)](http://arstechnica.com/tech-policy/2014/05/in-18-months-feds-got-nearly-300-complaints-about-bitcoin-miner-maker/) between September 2012 and April 2014. The worst part about this is that individuals are unlikely to return from they're complaint, current and potential users will be driven away

[\(//hashcoin.com/\)](http://hashcoin.com/)

from Bitcoin completely if entities such as Butterfly Labs are able to carry out such practices.

In evidence for these admittedly heartfelt convictions I point you towards the business conduct expressed by [Josh Zerlan](#) (<http://www.butterflylabs.com/management-view/josh-zerlan-3/>) . You would think that as VP of Product Development Josh would be primed to answer questions and queries about development times for Butterfly Labs products. Especially if there were understandable delays that consumers were vocally concerned about. You would think that in such a scenario quelling these fears with a relaxed and reassuring attitude would be the best course of action to take. However in this video from CES 2013 Josh goes nuclear:

[youtube=<http://www.youtube.com/watch?v=UIWrmlqGs3Y&start=158>]

Even in the face of admittedly interrogating questions this brand of rudeness on a professional stage is unacceptable and surely unrepresentative of his peers. But it will be what stands out to those looking inward on the Bitcoin fold. It is understandable that repeated questions are annoying, but they are being asked for a reason. The “box” in question was [literally an empty box covered in fans](#) (<http://i.imgur.com/fcma3.jpg>) , a fitting metaphor for the empty promises offered by Butterfly Labs.

Despite my personal opinions regarding the etiquette of Josh Zerlan. Chris Vleisides, Director/President of Butterfly Labs, [is a convicted felon](#) (<http://bitcointalk.org/index.php?topic=110805.0>) . A man who orchestrated a [large scale mail order scam from 1990 until 2006](#) (<http://postalinspectors.uspis.gov/radDocs/PressRoom/nr110114.htm>) involving “induce(ing) the victims to

<http://hashcoin.com/>

participate in various international lotteries, falsely stating that if the victims participated, they were guaranteed to win or had a very good chance to win".

Vleisides is subsequently forbidden by his parole to solicit funds

http://ca.findacase.com/research/wfrmDocViewer.aspx/xq/fac.20100915_0004129.0

As a result, Vleisides is violating this parole as the entire business model of Butterfly Labs is based on solicited down-payments.

Users desperately need to do their research and vote with their wallets to eradicate such bad representations of Bitcoin entrepreneurs. Recognise these early define the leading figures of cryptocurrency entrepreneurship and I would honestly prefer them to not be the likes of Mark Karpelès and Josh Zerlan.

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BitForce SC – FAQ

1. What is the BitForce SC?

The BitForce SC processor is the result of our long term development of a multipurpose SHA256 hashing engine in full custom ASIC. The BitForce SC achieves an exponential increase in verification performance and power draw efficiency by using the latest semiconductor manufacture technology. Why ASIC? ASIC is the final word in processor design. There is no next step threatening to change everything. This makes it the first stable ground for hardware investment as compared to prior stages which experienced unpredictable and violent change as technology moved up the ladder from CPU to GPU, then FPGA and sASIC / Hardcopy. Pure custom ASIC is the end of the line. With ASIC comes not only a phenomenal performance increase, but also a stability in the rate of performance increase. Yes, improvements in ASIC will continue to occur, but only at the stable & predictable rate as followed by the rest of the semiconductor industry and not sudden exponential growth like the jump into ASIC itself. The volatile risk of hardware investment is now behind us and for the first time, high speed hash verification performance can be had in a convenient USB stick or clustered in a compact, yet face meltingly fast rack mount system without the traditional burden of power, heat or space constraints.

2. Hey, what the heck? Why'd you come out with this after I just bought a bunch of Singles. I'm going to be left behind!

We hear you loud and clear and we promise to stand by our customers through this technology change with an all inclusive trade in policy designed to protect the dollar value of your existing hardware. Upon release of BitForce SC based Singles & Mini Rigs, all previous generation BitForce products will enjoy a full 100% trade in value when used towards the purchase of the newer generation replacements. This means your current device is protected from depreciation through this evolution in technology. This buy back offer is good for all previous generation BitForce units whether purchased directly from us or from a third party. **Full terms of our obsolescence guarantee will be forthcoming. Having said this, it's also important to point out that current generation products enjoy strong relative hashing power today and that will continue to make them profitable up to and through the point of ASIC market penetration when they can be traded in.**

3. Why should I buy a Mini Rig or Single if the BitForce SC is coming out?

It depends on the lead time difference between your product and the availability of the BitForce SC. As long as there is a sufficient gap in between the delivery of the two then it makes sense to enjoy the strong performance of current gen products before network difficulty increases as a result of ASIC market penetration. At that time, your units can be traded in towards an upgrade to equivalent BitForce SC based replacements.

4. When will the BitForce SC be available, and how fast are they?

Our ASIC based products ranging from 4.5 GH/s to 1,500 GH/s are currently scheduled for availability in

ATTACHMENT D

Sr. Member




Re: Butterfly Labs 30 day countdown to the end of September
September 14, 2013, 11:06:01 PM

#311

Activity: 476



Ignore

Inaba

Legendary



Activity: 1232



Ignore

Quote from: on September 14, 2013, 10:59:31 PM

For those who like milestones, today might well a couple.

The sustained network hash rate will likely be over 1 Petahash/s within the next 24 hours.

Difficulty should cross 100 million within the hour.

A jally, being less than 6-millionth of the network hash rate, should cross to earning less than its power consumption for many people in 0.12-0.15 per kwh electricity rate areas in the USA.

5GH, 110 million difficulty, 30 watts power and \$.15 power cost = .022860 BTC per day or \$3.07. 30 watts * 24 hours = .720 kwhours or \$.11 for a net profit of \$2.96

I do not suffer fools gladly... "Captain! We're surrounded!"
I embrace my inner Kool-Aid.

**Re: Butterfly Labs 30 day countdown to the end of September**

September 14, 2013, 11:09:26 PM

#312

, you are harshing the FUD and misinformation mellow that people like like
to comfort themselves with.

For anyone with half a brain and second grade math skills, though, all BFL products are profitable to 900+ million difficulty at .15c KW/h @ \$120/BTC. If the price of BTC is above \$120, it's profitable even higher. Yes, at 900 million difficulty, profit margins would be ridiculously thin, but it's still within the profitability threshold that is trying to convince people is happening at 1/9th of the actual difficulty level (and remember, that's at \$120/BTC).

If you're searching these lines for a point, you've probably missed it. There was never anything there in the first place.

ATTACHMENT E



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http://www.butterflylabs.com is the official website of BFL. Any other website claiming to BFL is a fraudulent site. If your browser bar does not end with "butterflylabs.com" you are on a scam site. We do not use any other domain name other than "butterflylabs.com"

Josh's Soapbox


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Monarch Update - 30 April 2014

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by **BFL_Josh**, 04-30-2014 at 03:26 PM
(14042 Views)

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We have received the new chips and have been putting them through their testing phases. So far, they are performing much better than expected.

I will let this graph speak for itself:

What you are looking at are plots of performance over a large number of chips. The short version is that at lower voltages, the two chip Monarch & Imperial Monarch operate around .27W/GH @ 400 GH/s and at higher voltages, the Monarch will operate around .55W/GH @ 1 TH/s.

What does that translate to in real world numbers? At our nominal speed for the Monarch, 600 GH/s, power consumption is about .3W/GH at the chip level. We expect it to draw around 235W *at the wall*. The Monarch can be overclocked to

BFL_Josh


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Join Date: **Aug 2012**
Posts: **2,510**
Blog Entries: **13**

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approximately 800 GH/s per chip, or 1.6 TH total per board with specialized cooling. The Imperial Monarch is expected to consume about 550W *at the wall at 1 TH/s*. The Monarch product line is essentially 3x - 5x more efficient at any comparable hashrate than the competition, which should allow you to run your Monarch for much, much longer than any other bitcoin mining device that exists now or that is even planned for the next generation.

Like our 65nm line, we have the absolute best warranty available, anywhere... We offer this because we know our products are well designed and rock solid. We are still offering a 1 year warranty on our Monarch product line and as such, we are going to be shipping boards we have faith in, so you don't end up with malfunctioning, broken or dead boards on arrival. The Monarch was designed from the start with power efficiency in mind, and is software tunable from very low power consumption at slower speeds to higher power consumption (which is still lower than anyone else) at incredible speeds. As bitcoin prices change and as difficulty climbs, power efficiency will dictate how long you can operate your devices. The Monarch line should continue to be profitable long after every other device costs more to operate than it generates in revenue.

Keep in mind, these numbers are from chip level testing. Full system testing is on going as we speak, so these numbers are still preliminary, but they should be fairly accurate as we have a rather large test sample pool of chips. Once we have a fully armed and operational ~~battlestation~~ Monarch, we will publish the final, confirmed power and hashrate figures.

We are not taking a bit of extra time to make things right lightly... because of the efficiency of the chip and the way it initializes itself, there is a huge current draw on startup, which is necessitating that we add a couple minor components to the board design to facilitate chip initialization. We were not able to test this portion of the board until we had actual functioning chips. These are plentiful parts that we already have in stock and we are having the boards manufactured now. Some of the initial boards will roll off the line at the end of the week, with more of them the following week. After the initial boards

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roll off the line, they will be populated and tested for functionality. Assuming they perform as expected, we will start shipping after all functionality tests are complete.

So when are you shipping? I'm sure that's the question on everyones mind. We plan to begin shipping within the next 10 - 12 days, but that timeline is still in flux as we adjust the board components to best utilize the chips.

I will provide an update as soon as more information is available.

Discussion of this update can be found [here](#).

Updated 05-03-2014 at 10:26 AM by [BFL_Josh](#)

Categories: [Production Updates](#)



Email Blog Entry

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ATTACHMENT F

08-21-2013, 04:29 AM

#18

 **SLok** 

Moderator



Mentioned: 34 Post(s)

Tagged: 0 Thread(s)

Quoted: 604 Post(s)

Latest Thread: [eBay Now Allows
Virtual Currency Sales](#)

Join Date: Sep 2012

Location: Southwest of
Northeast

Posts: 2,169

[Ignore User](#) Originally*Actually, it's telling me this exactly:****Mining Dashboard - The Genesis Block***


*This is at The Genesis Block's auto-filled 66 percent per month increase which, if you look at the historical increases above -- increases that took place **even before ASICs started shipping**, you'll find is very conservative. And at that rate, the Monarch loses money on Day 1, and loses more the longer it is plugged in.*

And why do the worked-up people throw around "shill" like we're supposed to know what that means?

I'm sorry this isn't working out the way you planned, but all you can do is pray that difficulty stays low and Butterfly ships fast, neither of which has been traditionally a good bet.

There will be no 66% monthly increase for months to come. You can let that mining calculator tell you anything that you want to hear, or not, but it still won't be a constant of 66% per month, which would be about 420mil. end December, 8x current. With the same calculations it was predicted 3 months back that August difficulty would be over 200mil., where it ended up at 50mil. today.

I do not say Monarch buyers will hit the jackpot (I'm pretty sure the jackpot days are over meaning a 10-14 day period where the unit payed itself back and makes pure profit after that), but they will see a profit, although it might take 3 or 4 months. If that ain't enough, (and for a lot mining seems to have to be a way to quick and easy wealth) than stay away from buying any hardware at all, and sell what you have quickly while you can.

 Originally Posted by



A **shill**, also called a plant or a stooge, is a person who publicly helps a person or organization without disclosing that they have a close relationship with the person or organization.

"Shill" typically refers to someone who purposely gives onlookers the impression that they are an enthusiastic independent customer of a seller (or marketer of ideas) for whom they are secretly working.

He's NOT a shill.

Shills can be/play positive towards a company, shills can put up a negative attitude towards a company, for instance out of butt-hurt, of out of sympathy for a competitor, whatever reason. Shills can pretend that their sole interest (shilling for) is in the well being of the potential monarch buyers, but that doesn't mean that their agenda might hold an opposite position than the one pretended.

Last edited by SLok; 08-21-2013 at 04:32 AM.

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ATTACHMENT G



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http://www.butterflylabs.com is the official website of BFL. Any other website claiming to BFL is a fraudulent site. If your browser bar does not end with "butterflylabs.com" you are on a scam site. We do not use any other domain name other than "butterflylabs.com"

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Thread: Huge Price Drop

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12-30-2013, 11:46 PM

#51

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Latest Thread: **BREAKING: Mt. Gox's Crisis Strategy Draft**



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Originally Posted by **BFL_Josh**

What? That's exactly what Apple (and every other technology vendor) does. In June of 07, Apple released the iPhone 8GB at \$599, in September (less than 3 months later), it was \$399, a 33% reduction in price ... then it was reduced \$199.... then to \$99.

The initial price of a technology item is almost invariably higher than it is later in it's product life cycle. In fact, as I recall, Apple dropped the price of the iPhone less than a month after it was introduced at one point. I don't recall which model that was off the top of my head though.

Let's be realistic here, Josh... that's a moot analogy, as Apple pre-orders haven't exceeded 2 weeks let alone 2+ months (realistically 6 or more months) and actually offer proactive and responsive support to their paying customers when it's needed.

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12-30-2013, 11:53 PM

#52

 **BFL_Josh**  

Employee



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Let's be realistic here, Josh... that's a moot analogy, as Apple pre-orders haven't exceeded 2 weeks let alone 2+ months (realistically 6 or more months) and actually offer proactive and responsive support to their paying customers when it's needed.

Apple doesn't sell money making machines, either... The fact that it's a pre-order or not makes absolutely no difference. We have been completely and 100% clear that what you are paying for is a space in line for a pre-order, to be delivered when we have it available. This is not something that comes as a surprise to anyone. No one is forced to pre-order, you are welcome to wait until we have product on the shelf and order then, and in fact I encouraged this when we announced the Monarch.

I'm not sure what part of "it costs more to produce the early pre-orders than the later pre-orders" is unclear... or are you seriously stating we should continue to charge the same amount for later orders that cost us less to produce (and thus reap a much higher profit margin)... then you'd be complaining about how we are screwing you by keeping the prices high when it costs less to produce.

Last edited by BFL_Josh; 12-30-2013 at 11:55 PM.

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ATTACHMENT H

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Bitcoin Mining

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Bitcoin Mining

Perhaps the best way to describe Bitcoin mining to the layman would be to say that it is somewhat like a cross between the California Gold Rush and the lottery. No one is given Bitcoins per se. You've got to earn them. At the same time, you need a little luck. No one can precisely define how long it will take to successfully mine a Bitcoin. While your chances should become better with the more hashes you can generate, there is not always a direct correlation between the amount of work you put in and the rate of success you are going to have.

Bitcoins are a new currency, and they work on a peer-to-peer system, so there is inherent value in their relative scarcity, as well as its independence of a "central authority."

Bitcoin mining becomes more difficult over time, in order to facilitate limitation on the supply. It is referred to as a "high performance computing problem" and thus is best solved with hardware that is specifically built for that purpose. In order to mine Bitcoins, you have to "solve a block," and that gets harder as the network of miners grows. Proof of work must be shown for anything to be valid. It is a very competitive endeavor. To help improve the odds for success, miners often form pools, where resources are combined and any yield from the effort is divided.

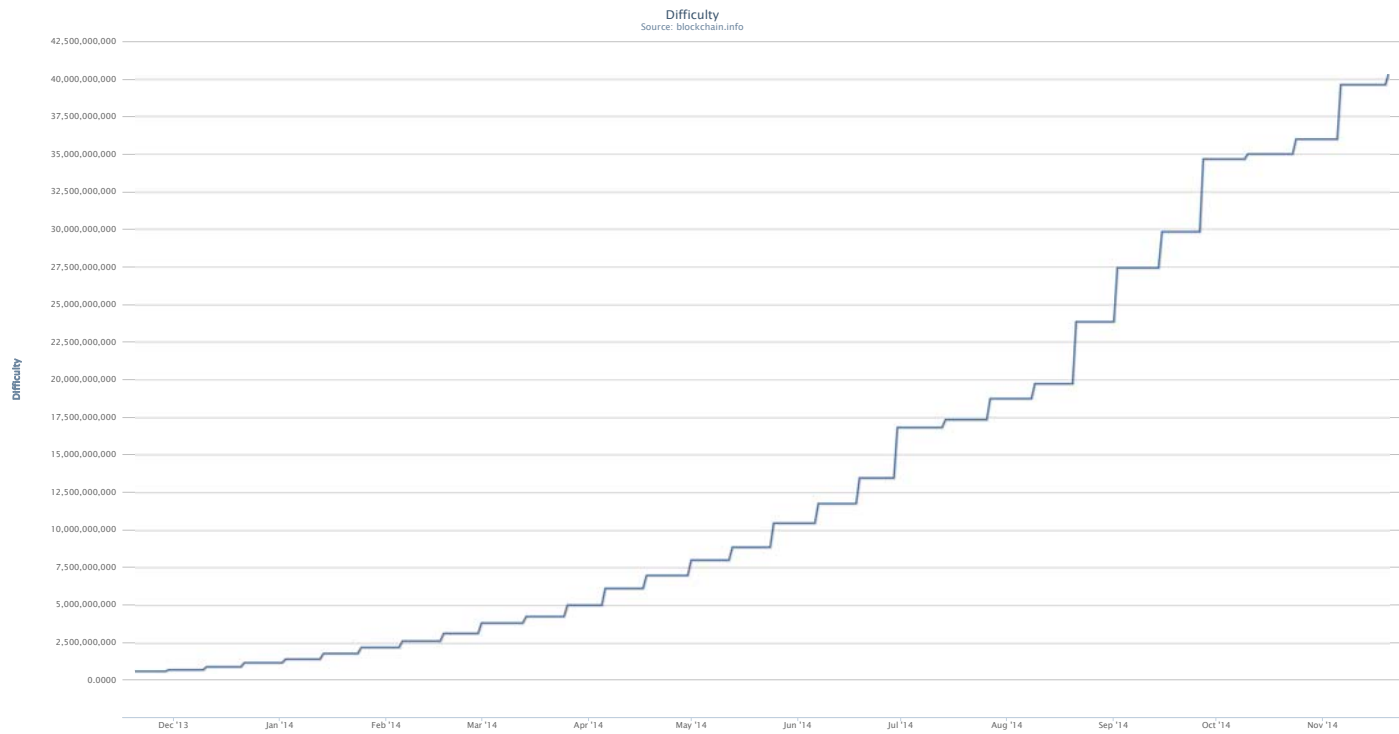
Aside from uncovering Bitcoins, which brings its own reward, miners have another incentive; namely, the fees they can collect for transactions on the part of users. So they are motivated to include transactions in their block. This becomes a more important factor as the difficulty in creating new Bitcoins increases.

It's cutting edge, and a ground floor opportunity. It's clearly no wonder why so many people are excited by Bitcoins!

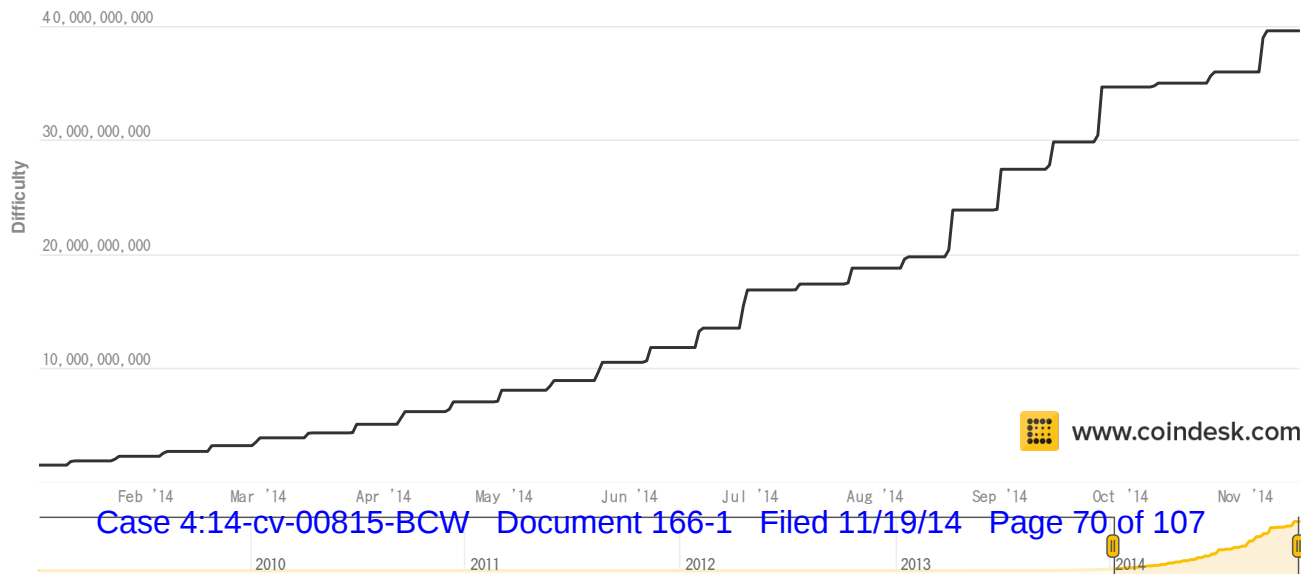
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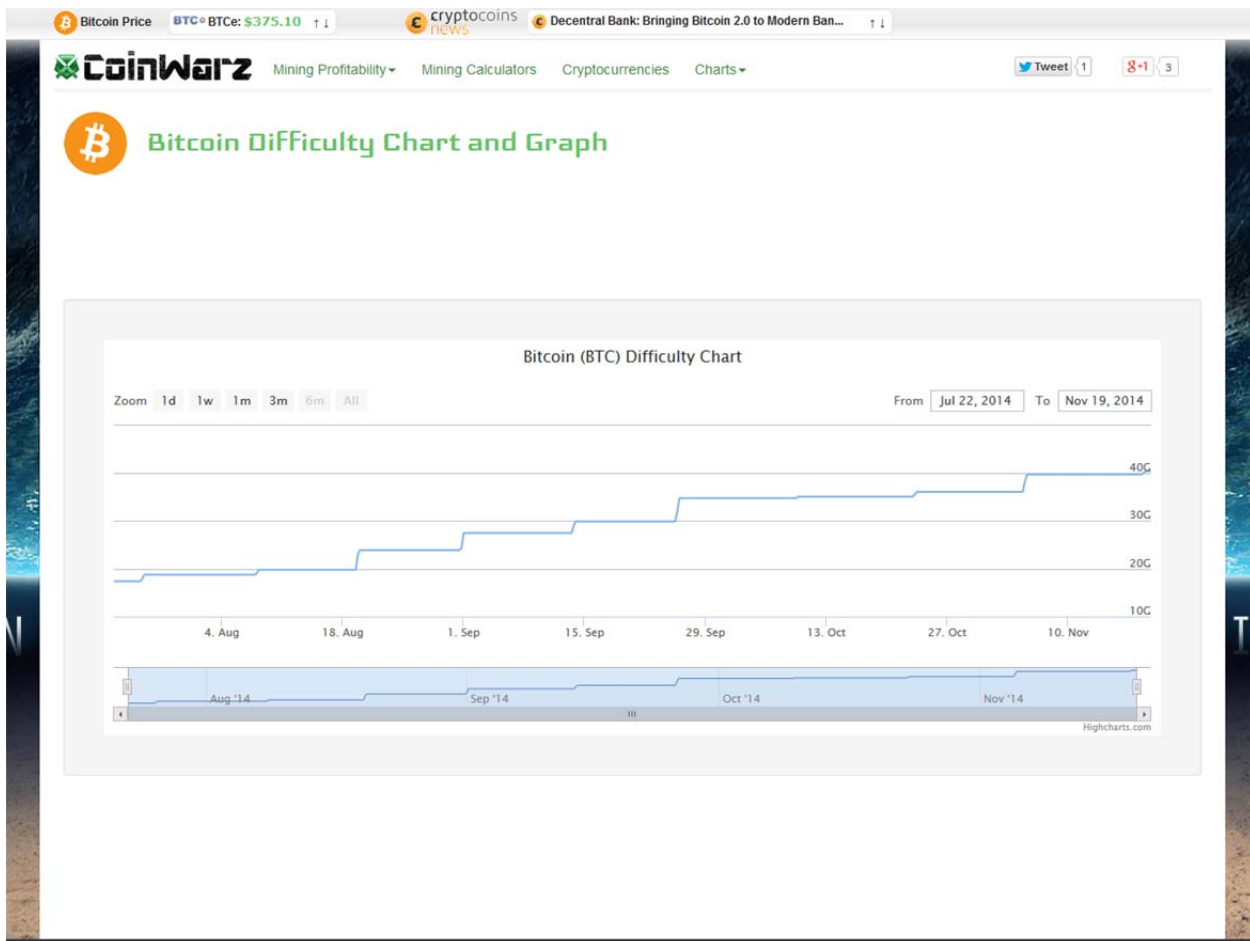
ATTACHMENT I



ATTACHMENT J



ATTACHMENT K



ATTACHMENT L

1 OFFICIAL TRANSCRIPT PROCEEDING

2 FEDERAL TRADE COMMISSION

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24 LET'S TALK BITCOIN

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FEDERAL TRADE COMMISSION

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Interview with Josh Zerlan

4

FEDERAL TRADE COMMISSION

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P R O C E E D I N G S

- - - - -

INTERVIEW WITH JOSH ZERLAN

UNIDENTIFIED FEMALE: I'm talking with Josh Zerlan, and he is the chief operating officer at Butterfly Labs.

JOSH ZERLAN: Yes.

UNIDENTIFIED FEMALE: Hi, Josh.

JOSH ZERLAN: Hello. How are you?

UNIDENTIFIED FEMALE: Good. Welcome to Let's Talk Bitcoin. I'm really interested in Bitcoin mining, as I'm sure you are, too. And --

JOSH ZERLAN: Little bit, yeah.

UNIDENTIFIED FEMALE: A little bit, yeah.

JOSH ZERLAN: A little bit, yeah.

UNIDENTIFIED FEMALE: And I'd love to, you know, ask you some questions about what Butterfly Labs has been up to and, you know, like sort of what we can expect in the future coming out of Butterfly Labs.

But first of all, how did you get interested in Bitcoin?

JOSH ZERLAN: In Bitcoin itself?

UNIDENTIFIED FEMALE: Yeah.

JOSH ZERLAN: Well, in 2009, I did download the client and started just looking at it. At the time, you

1 know, I probably mined a few hundred coins and --

2 UNIDENTIFIED FEMALE: Whooo.

3 JOSH ZERLAN: Yeah, I know. And overheated my
4 laptop. I was like, oh, this is a nifty concept, and
5 promptly deleted everything. And -- yeah, so fast
6 forward a couple years later, let's see, probably late
7 2010, I saw the article on -- I think it was slashdot
8 about the Bitcoin client, a java-based rewrite. I said,
9 oh, that's kind of nifty. And I looked into that. And
10 at that point I was like, oh, well, I'll try mining with
11 my invidia card. That didn't work out so well. So I
12 purchased an AMD card and it just snowballed from there.

13 UNIDENTIFIED FEMALE: And so you were in there
14 pretty early. I hear all these horror stories about
15 people who have mined, you know, thousands of Bitcoins on
16 some old computer and they said, ah, it's not worth the
17 electricity and stopped, and then they formatted it at
18 some point and lost, you know, \$50,000 or something like
19 that.

20 JOSH ZERLAN: Yeah, absolutely. Unfortunately
21 I didn't mine too many, you know, a few hundred. But I
22 have sold -- I sold quite a few coins under a dollar,
23 under two dollars, under three dollars. In one aspect
24 it's painful to think about it, but in the other, you
25 know, that was their value at the time and it was just --

1 it is what it is.

2 UNIDENTIFIED FEMALE: Yeah. And if you hadn't
3 sold them -- you know, Bitcoin adoption may not be as far
4 along as it was today. Right? You know, you were
5 actually helping people get Bitcoins and use them. So
6 it's such a funny thing when you talk about using
7 Bitcoins or spending Bitcoins as they're going up in
8 value. I mean, I'm sure the guy who -- who bought the
9 \$10,000 -- or 10,000 Bitcoin pizza --

10 JOSH ZERLAN: Bitcoin pizza.

11 UNIDENTIFIED FEMALE: -- yeah, I'm sure he gets
12 a lot of, you know, people asking if he feels regret
13 about it. But from what I've heard from him, he says,
14 Well, you know, I helped kick off the use of this
15 currency, so I don't feel too bad about it. So he's a
16 good sport.

17 JOSH ZERLAN: Yeah, absolutely. You know, it's
18 -- you have to grow the economy somehow. And if you just
19 hold onto your coins all the time, it'll never go
20 anywhere. So in that aspect, I don't feel bad about it
21 at all and I was doing my part.

22 UNIDENTIFIED FEMALE: Yeah, taking one for the
23 team.

24 JOSH ZERLAN: Absolutely.

25 UNIDENTIFIED FEMALE: Okay. So tell me, what

1 is Butterfly Labs for somebody who doesn't know what that
2 is, and what do you do at Butterfly Labs?

3 JOSH ZERLAN: Well, Butterfly Labs manufactures
4 mining hardware. We have the most advanced chip out
5 right now. And it's -- it basically buys you lots of
6 Bitcoin lottery tickets. We have a number of different
7 products that -- from the entry level to -- all the way
8 up to the industrial scale mining. We have a little bit
9 of something for everyone there.

10 What I do in there, I try to keep everything
11 running and do a lot of strategic planning and the
12 direction that Butterfly Labs is going to look to go here
13 in the future.

14 UNIDENTIFIED FEMALE: So do you build the
15 machines, or do you just coordinate plans for the
16 company? I don't know what you do.

17 JOSH ZERLAN: Oh, me, personally? No, I don't,
18 like, physically build the machines, but I do coordinate
19 the people who do. A lot of my role is for strategic
20 planning for new products and evolution of current
21 products.

22 UNIDENTIFIED FEMALE: Okay. So you're thinking
23 about what are we going to do next. Butterfly Labs has
24 been taking pre-orders, you know, for a while. And there
25 are some people who are, you know, upset because the

1 shipping has been delayed a number of times. Can you
2 talk about that a little bit?

3 JOSH ZERLAN: Yeah, absolutely. And I can't
4 say it too many times. We are very, very sorry for the
5 delays. We very much understand the frustration and
6 anger that the customers have. And we share the pain and
7 -- and we don't begrudge the people the anger because it
8 is absolutely a failure on our part to get them out when
9 we promised.

10 We've built up a very robust supply and
11 manufacturing chain. It's taken much longer than we
12 thought. Our chip being the most advanced chip out now,
13 right, it's -- it presented hurdles that we had to
14 overcome.

15 UNIDENTIFIED FEMALE: For example, what would
16 be some of the things that might cause an unforeseen
17 delay?

18 JOSH ZERLAN: Well, for example, you know, we
19 have to get the chip packaging together. We have to get
20 the whole supply run coming from the foundry to the
21 slicing and dicing, to the packaging, to the assembly
22 plant in Chicago, which puts it on the boards, the boards
23 to us, us to get them in the cases, the cases in the box
24 and the box out to the shipping companies.

25 So there's a lot of things that go into this.

1 And what a lot of people don't realize, we're not a
2 small-scale operation. We have over 50 employees now.
3 Just -- there's lots of steps, there's lots of orders,
4 and we're just moving as fast as we can. And I wish it
5 was as simple as some people thought it was.

6 We've done -- we're doing everything we
7 possibly can to move this along as fast as we can. But,
8 as I said, we totally understand why people are
9 frustrated and they have every right to be. And, like I
10 said, I can't apologize enough. But we're absolutely
11 trying to get those units out as fast as possible.

12 UNIDENTIFIED FEMALE: Yeah. And so do you have
13 an expected time when they're going to be shipping? I
14 know there's multiple different models that we're talking
15 about, but, like, I saw a video with a jalapeno model,
16 right, that was -- what, six gigahashes per second or
17 something like that.

18 JOSH ZERLAN: The jalapeno is actually five or
19 the super jalapeno is seven gigahash.

20 UNIDENTIFIED FEMALE: Oh, okay. Got you. So I
21 saw a video with a demo unit on that from Coding In My
22 Sleep, with David there, David Perry. Have you started
23 shipping those yet? Or are they still waiting on the,
24 you know, mass producing?

25 JOSH ZERLAN: Oh, yeah, we've shipped thousands

1 of the jalapenos.

2 UNIDENTIFIED FEMALE: Got you, okay.

3 JOSH ZERLAN: And we're shipping all of our
4 product lines. We've shipped hundreds of the singles.
5 The little singles are a little bit behind, and we've
6 shipped quite a few mini-rigs. What a lot of people
7 don't realize is, if we -- there's a lot of orders that
8 aren't on the customer kept lists. A lot of our
9 customers don't want to be public, they don't want to be
10 known. They're very private. And, you know, they have
11 their own orders, they do their own thing. They don't
12 even get on the forums, they don't have a log-in forum,
13 they don't even read the forums.

14 We get lots of customers that call and are
15 like, I want your Bitcoin miner -- what does it do, by
16 the way?

17 UNIDENTIFIED FEMALE: Wow.

18 JOSH ZERLAN: Yeah, we're always surprised by
19 those calls, too. We're like you might want to to some
20 due diligence there. But it's -- yeah. We also have a
21 lot of interest from the Chinese, actually that's picked
22 up quite a bit. And they're not quite in the same boat
23 as "what does it do", but -- they know they want to be
24 part of it, but they don't know exactly how they want to
25 be part of it.

1 UNIDENTIFIED FEMALE: Yeah. So, I guess that
2 brings up a question for me, which is that Avalon, which
3 was, you know, pretty much the first ones to get out an
4 ASIC miner. They manufactured their units in China, as
5 far as I know, right? And you're manufacturing in
6 Chicago; is that right?

7 JOSH ZERLAN: We actually -- we're pretty much
8 all American. Our actual wafers are produced in
9 Singapore and they're shipped here to the U.S., sliced
10 and diced in the U.S., sent for binning at another U.S.
11 company, sent to Chicago for the mounting, and then sent
12 to Kansas City.

13 So it's pretty much exclusively manufactured in
14 the U.S..

15 UNIDENTIFIED FEMALE: But in multiple different
16 places in the U.S., right?

17 JOSH ZERLAN: Right. Yes.

18 UNIDENTIFIED FEMALE: So, I mean, I could
19 imagine that might cause some delays if the materials are
20 going from point to point and then at any point there
21 could be a delay in the manufacturing process that
22 impacts the time frame.

23 JOSH ZERLAN: Absolutely. That's one of the
24 problems, one of the pain points we have. And it's one
25 of the things we're working on, we're trying to

1 streamline that quite a bit.

2 UNIDENTIFIED FEMALE: Was it just not possible
3 to make them all in one place at the time when you
4 started or what?

5 JOSH ZERLAN: Well, it's very hard to find
6 reliable people to do that. And we went -- we've gone
7 through a number of vendors for various different
8 processes. We've settled on a new vendor for our
9 packaging and it's actually a one-stop shop for slicing,
10 dicing and packaging. So it eliminates a whole step, a
11 whole shipping step. So it will go from there to binning
12 to Chicago. Hopefully that will cut it down. It's
13 actually a superior process that increases our volume
14 dramatically, in terms of how many chips we get in.

15 So it's -- yeah, we're working on paring that
16 down.

17 UNIDENTIFIED FEMALE: Yeah. So, I mean, now at
18 this point there are some other companies that -- like, I
19 just talked with Sam from K&C Miner and, you know, there
20 are some other companies coming out with pretty powerful
21 asic devices. You know, are you worried about
22 competition, I guess you could say? Are you planning
23 anything to kind of up the asic arms race, you know, new
24 products that are more powerful to kind of compete with
25 the next generations?

1 JOSH ZERLAN: Well, we're definitely watching
2 the competition and seeing what's coming down the pipe.
3 And given our past track record, I'm very hesitant to
4 comment on our future products right now, just because I
5 don't want to make promises --

6 UNIDENTIFIED FEMALE: Sure. Yeah.

7 JOSH ZERLAN: -- and anything like that. But
8 we're -- we'll definitely remain competitive with
9 anything coming out.

10 UNIDENTIFIED FEMALE: Yeah. It must be -- do
11 you feel skeptical that other companies are going to ship
12 that are doing pre-orders right now? Because, I mean,
13 given the difficulties that you had, do you anticipate
14 that other companies may have the same problems, if
15 they're trying to make similar devices?

16 JOSH ZERLAN: I -- you know, I have to think
17 they will, because there was a lot of "gotchas" that you
18 just -- I mean, if you knew about them, of course you
19 plan for them, but there's just -- especially when you're
20 talking about dealing with consumer space. And then if
21 you have a large volume consumer space, there's so many
22 issues that you have to deal with, to get those out on
23 time that they -- the other competitors are probably not
24 ready for.

25 As I said, we've spent a monumental amount of

1 effort getting our supply chain, our manufacturing chain
2 up and running. And until you actually do that and find
3 the kinks and work them out, there's really very little
4 amount of planning that will hold up to reality.

5 UNIDENTIFIED FEMALE: One of the big issues
6 that I've heard a lot of people talk about is that, you
7 know, there were some pre-orders with Butterfly Labs and
8 Bitcoin and then Bitcoin went up dramatically in value
9 during the time when people are waiting for their orders
10 to ship. You know, have you done anything to address
11 that? Like, if people complain about it, you know, what
12 -- kind of what do you say to that? Do you see other
13 people doing the same thing, taking pre-orders in Bitcoin
14 and waiting? I mean, can you comment on that?

15 JOSH ZERLAN: Well, we've always priced our
16 products in U.S. dollars and we go through a payment
17 process called Bitpay, which I'm sure most of the
18 listeners are familiar with. And they -- you know, we
19 don't -- as much as I'd like to deal in Bitcoin, the
20 volatility makes it difficult, because we can't pay our
21 vendors in Bitcoin, we can't -- so, I understand some of
22 the arguments there.

23 Unfortunately, you know, if anyone had known
24 that Bitcoin was going to go up, you wouldn't have spent
25 the Bitcoin or you would have purchased Bitcoin to

1 replace it. You know, hindsight is great for your
2 investing. But there's nothing -- you know, it could
3 have dropped and then people would have complained if we
4 refunded them the same in Bitcoin.

5 UNIDENTIFIED FEMALE: Yeah. Sure.

6 JOSH ZERLAN: So, in that aspect, if we were to
7 refund people the same amount of Bitcoins, we could be
8 used as a hedge, you know. If it rises, then I want my
9 Bitcoins back, if it goes down, then I'm going to take my
10 hardware. It just wouldn't make sense. It's just not a
11 viable business model.

12 UNIDENTIFIED FEMALE: Sure. Yeah. And do --
13 you know, what kind of testing do you do, I guess, with
14 the new units in-house? Do you have a mining facility at
15 Butterfly Labs where you're testing new devices or --
16 tell me a little bit about that.

17 JOSH ZERLAN: Well, we do our burn-in testing
18 for about 24 hours per unit, we do it on our local
19 network to our local test-net in a box. And it's
20 actually been one of our pain points because we have such
21 volume that we have to test. We're running low on power
22 in one of our facilities, so we purchased a new warehouse
23 and it's doubling as a testing facility. And we're also
24 turning up a couple other data centers that we can plug
25 into.

1 It's getting kind of complicated, as far as
2 that goes, just because we test them 24 hours, pull them
3 up, put them in a box and out they go. They're in the
4 door and out the door just absolutely as fast as
5 possible.

6 UNIDENTIFIED FEMALE: Yeah. And have you heard
7 from the customers who have received them? Like what
8 kind of feedback have you heard from them?

9 JOSH ZERLAN: Everyone -- just about everyone
10 has loved them. I mean, we've had a very small failure
11 rate. There have been some failed jalapenos, they --

12 UNIDENTIFIED FEMALE: Do you replace them?

13 JOSH ZERLAN: Yeah. Yeah, they ship them back,
14 we send them out a new one. No problem.

15 I think maybe I had less than one percent of
16 the singles and mini rigs that have gone out have had any
17 issue at all. We've been pretty pleased with the failure
18 rate.

19 UNIDENTIFIED FEMALE: Yeah. And so I know that
20 there was a device that didn't meet the power specs that
21 were sold on pre-order and so there was an agreement from
22 Butterfly Labs to donate -- what was it, 1,000 Bitcoins
23 to charity.

24 JOSH ZERLAN: One thousand Bitcoins, yeah.

25 UNIDENTIFIED FEMALE: Right. And so that

1 resulted in the Bitcoin Development Fund, right?

2 JOSH ZERLAN: Correct.

3 UNIDENTIFIED FEMALE: Yeah. Can you tell me a
4 little bit about that?

5 JOSH ZERLAN: Well, initially, we looked around
6 for a charity or charities to donate it to and it's
7 surprisingly hard to find charities that accept Bitcoins.

8 UNIDENTIFIED FEMALE: Yeah, I know. There's a
9 few. I work with one of them. But, yeah, there's just
10 very few.

11 JOSH ZERLAN: Yeah. And so, what we decided
12 was, you know, it was a substantial sum of money,
13 \$100,000, and we didn't necessarily want to give it to
14 one charity. And trying to find a lot of charities to
15 donate that money to was difficult. So we put together
16 the fund so we could promote Bitcoin and as a two-pronged
17 approach. One, to -- we'll donate to any charity that
18 accepts Bitcoin, we won't convert it for them and donate
19 only the dollars, but then we also support the Bitcoin
20 economy and the Bitcoin ecosystem by donating to the
21 projects that further the Bitcoin ecosystem.

22 UNIDENTIFIED FEMALE: Yeah. Like, so, for
23 instance, open source Bitcoin software.

24 JOSH ZERLAN: Right.

25 UNIDENTIFIED FEMALE: Mining software, things

1 like that, I've heard some criticism that, you know,
2 okay, they're funding mining software, this is something
3 that helps them, this isn't really charity, you know.
4 What do you say to that?

5 JOSH ZERLAN: Right. I mean, you could
6 certainly say it's not a charity, per se, and, you know,
7 I understand the argument that, oh, well, you said you
8 donate to charity.

9 And that's true as far as it goes, but I think
10 we're doing far more good by promoting the Bitcoin
11 economy and the Bitcoin ecosystem. And mining is a huge
12 part of that at this time. And the developers -- you
13 know, Khan, Kolovas, K-No, Luke, Jr. -- they all put in
14 hundreds and hundreds of hours into these programs and
15 they don't ask for any money.

16 They ask for donations. And they get them, but
17 they don't get a lot. They don't get anywhere near what
18 their time is worth. They do it out of a labor of love.
19 And, you know, we toss 50 Bitcoins their way, that's more
20 than a fair compensation, on behalf of everyone who uses
21 the software. And it's not like we're donating 500
22 Bitcoins to each of them and, you know, it's just some --
23 some good old boys' network. You know, they have a small
24 portion of what we have.

25 And most of our stuff has actually gone to

1 actual charities. We've donated to Wayside Waifs, which
2 is a local animal rescue in Kansas City, a program called
3 Homes for Hackers, which offers homes to -- like, in 90
4 days to up and coming hacker projects. I'd have to look,
5 there's --

6 UNIDENTIFIED FEMALE: Sean's Outpost, I know
7 was one.

8 JOSH ZERLAN: Yeah, Sean's Outpost, that was
9 one of our first ones. You know, that fed 7,500 meals
10 for homeless people. There's tons of -- well, not tons,
11 there's lots of different charities and we're always
12 looking for more. And, like I said, if you have one, by
13 all means let us know, we're looking. We still have over
14 \$60,000 to donate.

15 And we actually have one person dedicated to
16 calling up charities, explaining Bitcoin to them and
17 saying, we will donate to you, you know, \$10,000 or
18 \$15,000 if you accept Bitcoin. The majority of them just
19 won't do it. Even -- even in the face of here's \$20,000
20 if you just do this.

21 UNIDENTIFIED FEMALE: Wow.

22 JOSH ZERLAN: No. Yeah, it's very surprising
23 and it's very frustrating. It's like just -- you know,
24 this is free money. We're willing to give you a sizeable
25 donation and you have to do very little work, and they

1 don't even want to deal with it.

2 And so that's why we're even ore resolute in
3 the fact that we'll only donate to the charities that
4 accept Bitcoin. I think the more charities that accept
5 it, it'll become a self-perpetuating thing. Then these
6 other charities will see it and say, oh, well, maybe we
7 should accept Bitcoin.

8 UNIDENTIFIED FEMALE: Right. Yeah.

9 JOSH ZERLAN: So that's kind of where our mind
10 set is with that. And I wish we could do it faster, but
11 we want to do it properly. So we're doing it a little
12 slower, calling them up, working with these charities and
13 saying, you know, you really want to do this, it's a
14 whole new avenue for you.

15 UNIDENTIFIED FEMALE: Where can people find you
16 online and all that stuff?

17 JOSH ZERLAN: Butterflylabs.com.

18 UNIDENTIFIED FEMALE: Cool, that's easy to
19 remember.

20 JOSH ZERLAN: Easy to remember, yes.

21 UNIDENTIFIED FEMALE: Josh, thank you so much
22 for talking with me today. I appreciate your time.

23 JOSH ZERLAN: No problem. Thank you.

24 (The interview was concluded.)

25 JASON KING: Hi, this is Jason King, founder of

1 Sean's Outpost and you are listening to Let's Talk
2 Bitcoin. Sean's Outpost is a homeless outreach in
3 Pensacola, Florida and we are proudly powered by Bitcoin.
4 To date, over 13,000 meals have been fed to the homeless
5 in our area, all purchased with Bitcoin and through the
6 generosity of the crypto currency community.

7 Read more about us at Seansoutpost.com. Food,
8 shelter, Bitcoin, everybody. Seansoutpost.com.

9 (The recording was concluded.)

C E R T I F I C A T I O N O F T Y P I S T

MATTER NUMBER: 1423058

CASE TITLE: BUTTERFLY LABS

TAPING DATE: DATE UNKNOWN

TRANSCRIPTION DATE: NOVEMBER 18, 2014

I HEREBY CERTIFY that the transcript contained
herein is a full and accurate transcript of the tapes
transcribed by me on the above cause before the FEDERAL
TRADE COMMISSION to the best of my knowledge and belief.

DATED: NOVEMBER 18, 2014

KATHY J. DeMENT

C E R T I F I C A T I O N O F P R O O F R E A D E R

I HEREBY CERTIFY that I proofread the transcript for
accuracy in spelling, hyphenation, punctuation and
format.

SARA J. VANCE

ATTACHMENT M

Untitled

TP's Bitcoin Calculator



1 YEAR AGO
1 NOTES
[#BUTTERFLYLABS](#)
[#BITCOIN](#)
[#MINING](#)
[#CALCULATOR](#)
[#HARDWARE](#)

Your ultimate Bitcoin calculator. Never again will you have to look at other mining calculators, profitability calculators, power calculators or generation calculators. See how much your Bitcoin mining rig can earn you today!

Difficulty and exchange rate updated about once an hour

Source: [butterflylabs.com](#)

More Jalapeno Pictures & Shipping Update



1 YEAR AGO
[#JALAPENO](#)
[#PICTURES](#)
[#SHIPPING](#)
[#BUTTERFLYLABS](#)
[#UPDATE](#)
[#BITCOIN](#)
[#MINING](#)

Attached are some more pictures of the Jalapeno. It's in one of it's prototype homes, but the design is changed and we are waiting on the updated box to be delivered now. However, the fundamental design will remain unchanged, just some cosmetic changes (laser etched top, no silver, etc...)

Source: [butterflylabs.com](#)



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- SUBMIT A POST
- RSS
- ARCHIVE

One Man's Quest to build #Bitcoin for Native Americans. Find out more in @mashable <http://t.co/qVovyAQNkW>

@BUTTERFLYL...

ATTACHMENT N

Butterfly Labs

Classic Flipcard Magazine Mosaic Sidebar Snapshot Timeslide

19th November 2012

Butterfly Labs - bitcoin mining calculator

Measure your ROI with this cool bitcoin mining calculator

[Measure your ROI with this cool bitcoin mining calculator \[http://tpbitcalc.appspot.com/\]](http://tpbitcalc.appspot.com/)

Postată acum 19th November 2012 de [Bogdan Pavel](#)

Etichete: [ASIC](#), [BFL](#), [bfl single](#), [bitcoin](#), [butterflylabs](#), [hardware](#), [heatsink](#), [mining](#), [rig](#)

0

Adăugați un comentariu

5th November 2012

Bitcoin Porn - The BFL Single heatsink.

Bitcoin Porn - The BFL Single heatsink.

Șablonul Dynamic Views. Un produs [Blogger](#).

ATTACHMENT O



On 2013-12-04 13:27, Jeff-Barn wrote:

Hey,

I might be interested in buying your site. It's clever. Let me know how much. If it's serious, I will seriously consider it.

Thanks

Jeff

BUTTCOIN / EDITORIAL

The Story Of When Buttcoin.Org Sold Out And How Butterfly Labs Turned It (And Other Sites) Into A Product Marketing Machine



Buttcoin

2 Comments

Nov 10, 2014

[Tweet](#)

(Note: This is a repost of an earlier post on the Buttcoin subreddit. I've added new information since the original post implicating BFL of other site purchases)

My name is Evan. I'm the founder of [Buttcoin.org](#) (now ButtcoinFoundation.org) and have been making fun of Bitcoiners since 2011. Buttcoin is one of the oldest Bitcoin sites on the internet and a few months ago celebrated it's 1 millionth visitor.

Nearly a year ago I (accidently) became a paid shill for Butterly Labs. And I wasn't the only one.

In December of 2013, Bitcoin losing comedy steam (which thankfully came back!) and after 2 1/2 years of running the site I was getting tired. I had started up school again and work was getting steady so I wasn't updating as much. I was in the middle of a redesign to keep myself busy but I went weeks between updates. But I liked the site so I kept it around. A few months prior our top notch reporter killhamster had helped me find new comedy gold to mine and was posting consistently on the twitter. He had become the de-facto chief operator of the site.

I was approached by someone named Jeff. He emailed me from a domain at a local bar in Chicago. He had asked about buying the site. This wasn't the first offer I had gotten. I have been asked to comment on articles in PC World and speak at John Hopkins University about Bitcoins and the site was somewhat popular, but no one ever put in any serious offers. The site got steady traffic but everyone who knows about Bitcoins, knows about computers. And everyone who knows about computers runs AdBlock. So the site made no money but was a fun little hobby of mine.

On 2013-12-10 11:14, Jeff-Barn wrote:

| I'm getting into the Bitcoin space and like the cleverness of the site. I would want to keep it going like that.

Jeff presented himself as a regular reader of the site who owned Bitcoins and had presumably cashed out. He said he liked the writing style, liked the site, and wanted to know if I was interested in a sale. I asked what he was offering. He said he wanted to offer me \$XX,XXX dollars (not as high as the \$30,000 someone is quoting however). I thought his was a joke. The site had no revenue and was virtually impossible to monetize. The only people willing to advertise on bitcoins sites are BFL, Mt. Gox, BitPay, and they would never advertise on Buttcoint. I asked him a few more questions to gauge his sincerity; what he planned on doing with the site, how the transition would be handled, would he allow me to continue to write for the site. He explained that he wanted to keep the site like "The Onion of Bitcoin", wanted me to keep writing for a minimum of 6 months. He also wanted everything to be in his daughters name because she was just graduating out of journalism school and he wanted her to learn online publishing. The guy was going to buy my site and then let me still have control. I have bought and sold a few domains and sites before and could tell he was serious, so I said fuck yeah and took his money.

We did the site transfer and closed escrow. The day after the transfer occurred my admin account was locked out even though I had an agreement to stay there for 6 months. Since I was already fighting with little site issues because of the transfer I didn't think much of it, I emailed Jeff but got no response. Killhamster still had publishing rights. The next day we noticed that our most popular article on the entire site, the ["The \\$22,484.00 Butterfly Labs Mini Rig bitcoin miner is a huge, broken, unstable piece of shit."](#) had been edited and now read [The Butterfly Labs Mini Rig is a sexy Bitcoin mining machine](#) .



At this point killhamster emailed Jeff and asked what was up. He stated that there were “going to be some changes to attract new advertisers”. He explained that he liked the humor but picking on specific brands was no good. He said that BFL pays \$1000/month for every ad on BitcoinTalk and that there’s no reason we can’t get the same kind of deal. Since my account was now locked out and I was the original author, killhamster could not change the article. At this point I was pretty bummed that what was told to me was no true but whatever, not much I could do about that now. Killhamster was still running the twitter and planning to do some funny stuff with future articles. I wanted to see what was up with this guy though.

I don't necessarily want to tone down the site. I just want advertisers.

I understand your feelings about Butterfly Labs. I know the industry quite well. Avalon had issues. KnC had boards explode in the wild and I don't see any articles nailing them for shipping less than perfect products. Every single hardware manufacturer has missed their target dates for delivery. It's not just BFL.

BFL did just ship out 45,000 bitcoin miners which is a pretty big task for a company that started 2 years ago and I know they are replacing units that are not functioning. But this is not the point. They pay another site (I know the owner) \$1000 a month to run banners. I can make a deal with them overnight. This doesn't mean I am tying myself to them. It means I am taking their money. I'm not sure how much Evan was paying you to write, but I think he mentioned a % of revenue and adsense couldn't be making that much.

Let's make fun of Bitcoin and Bitcoin Mining, but try to stay brand neutral.

I checked and see what was edited. The only thing edited was That BFL article and 2 more, one about them faking CE certification and one where Wired tested it and was unimpressed. But there was some much worse stuff on there that wasn't touched. If he was trying to clean up the site for advertisers, why just those BFL articles.

In order for Bitcoin.org to survive, it needs to generate revenue. In order to generate revenue, you need to attract advertising from the people who are making money in Bitcoin. My job is to sell this "parody" business model to them and convince them that we can do our parody in a way that will make fun of them and Bitcoin but won't hurt their businesses. If we can walk that fine line, we can generate revenue and still remain cutting edge and humorous.

While I don't necessarily agree with whitewashing bad news, I think stories can be told in a way to take digs at companies and products without harming their reputation too much.

The article about Butterfly Labs at the top of your popular stories is a good example. Do you know how much money Butterfly Labs has made in this industry? It's quite a bit. And they advertise a lot. That customer alone would pay for our expense (and more) per month. But they would never advertise with us in the current state.

The bottom line is this - Bitcoin.org will not be forum troll bait any more. Bitcoin is bigger than Bitcointalk and Reddit. We're in new territory. If we want to capture revenue, we need to build this site into something new. We have to change the way we write stories.

Then I remembered that my Google Search Rankings for certain Butterfly Labs related terms were high. Very High.

Query	Impressions	Clicks ↗	CTR	Avg. position
☆ butterfly labs	90,000	2,500	3%	3.9
☆ butterfly labs review	900	250	28%	3.7
☆ butterfly labs scam	700	200	29%	1.7
☆ butterfly labs bitcoin miner	1,000	90	9%	6.9
☆ is butterfly labs legit	150	60	40%	1.2
☆ butterfly labs bitcoin	400	50	12%	7.1
☆ butterfly labs monarch review	150	50	33%	2.4
☆ butterfly labs miner	400	35	9%	6.7
☆ butterfly labs jalapeno review	200	35	18%	4.1
☆ butterfly labs bitcoin miner review	170	22	13%	5.7
☆ butterfly labs reviews	60	22	37%	2.1
☆ butterfly labs mini rig	400	12	3%	4.0

Buttcoin was ranking between 3-4 for the search term “Butterfly Labs” and “Butterfly Labs Review” and was usually #1 for “Butterfly Labs Scam” and “Is Butterfly Labs legit”. It was obvious to me that the purpose of purchasing the site was to simply remove the negative articles that were destroying their search traffic and making them look bad.

So I Google “Jeff Butterfly Labs”

<http://www.butterflylabs.com/management-view/jeff-ownby-2/>

Jeff Ownby is the VP of marketing for BFL.

I never got his last name and all contracts where under his “daughter’s name”.

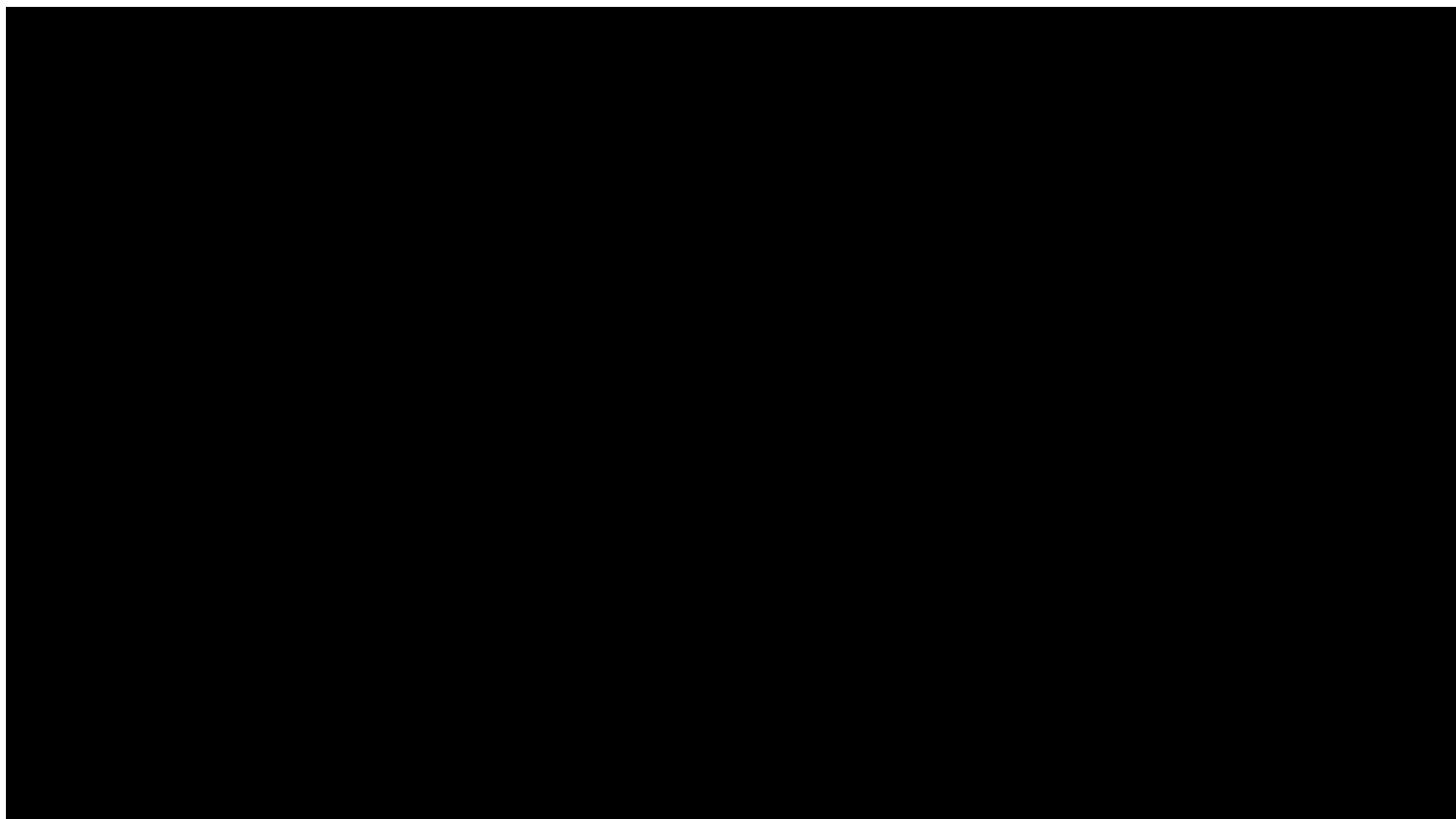
So I looked a bit deeper and see Jeff from BFL graduated from Elmhurst College in Illinois and the Jeff that bought Buttcoin emailed me from was a Chicago-area bar domain. I still couldn’t get this guy’s last name but I finally found an old Facebook post from a press release by the bar the guy owns and it said his name was Jeff Ownby. Could be another guy with the same name but I’m sure now that BFL bought the site simply to remove three negative articles.

After the [FTC seized Butterfly Lab’s assets](#) and Buttcoin.org went offline permanently, we decided to re-launch the site under our control again and re-post the original unedited articles in their entirety.

Since the original post [blew up on Reddit](#), a couple people have come forward who used to work for BFL and

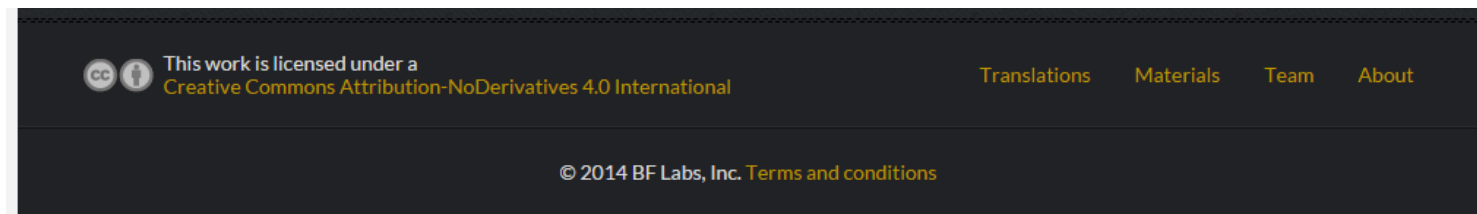
Jeff. They said that this was the tip of the iceberg and that Butterfly Labs has gone in a major campaign to buy up Bitcoin websites and turn brand-neutral sites into website who promote their products.

One of the most trusted Bitcoin sites on the internet is the site called WeUseCoins.com. WeUseCoins is one of the oldest Bitcoin websites (about a month before Buttcoin started, early 2011) and is known as the official “beginners guide” for new bitcoin users. It’s a brand-neutral site created by an early Bitcoin fan to clearly and plainly explain Bitcoin’s benefits. It’s on the Bitcoin wiki, the subreddit, and posted any time someone wants to know about Bitcoin. They also made the very popular “What is bitcoin?” video that has over 600k views.



Ssometime in the past year Butterfly Labs purchased WeUseCoins.com as well.

The site now says “BF Labs” on the bottom and it's obvious purchasing the site was mainly to inject product links to BFL products.



Take the link on this page to “mining contracts”.

Here’s the page as it was cached in October

2013:<https://web.archive.org/web/20131010210100/http://www.weusecoins.com/en/mining-guide>

Before we begin...

Before you read further, please understand that **most bitcoin users don't mine!** Bitcoin mining is a business and very competitive one. Mining only makes sense if you plan to do it for fun and thus don't care if you make a profit, or if you can do it very efficiently and for a profit.

If you want to get Bitcoins based on a fixed amount of mining power, but you don't want to run the actual hardware yourself, you can purchase a [mining contract](#) .

Technical Background [more »](#)

https://web.archive.org/web/20131010210100/https://en.bitcoin.it/wiki/Category:Mining_contractors

Link goes to the official Bitcoin wiki

Now look where it goes to: <https://www.weusecoins.com/en/mining-guide>

Before we begin...

Before you read further, please understand that **most bitcoin users don't mine!** Bitcoin mining is a business and very competitive one. Mining only makes sense if you plan to do it for fun and thus don't care if you make a profit, or if you can do it very efficiently and for a profit.

If you want to get Bitcoins based on a fixed amount of mining power, but you don't want to run the actual hardware yourself, you can purchase a [mining contract](#) .

<https://products.butterflylabs.com/1-gh-cloud-hosted-bitcoin-hashing-power.html>

Butterfly Labs. Their links are peppered everywhere else on the site to. Any link that went to the Bitcoin wiki that mentions Mining Hardware or Mining Contracts now goes to the BFL website.

WeUseCoins is a PR6 website in Google which is very authoratative. Has over 450k backlinks as well.

Google PageRank for
weusecoins.com: 6/10

6

PageRank

Checking...

Backlinks information provided by Majestic SEO

External Backlinks	Referring Domains	Backlinks EDU	Backlinks GOV	PR Quality
450369	4056	9	0	Very Strong

A link from WeUseCoins is very valuable and just another one of many sites that BFL purchased to control their image online.

This is most likely against the FTC guidelines to turn websites into paid advertising platforms since the introduction of so called "[Mommy Blogger Disclosure](#)" laws which state that any links that can be considered paid advertising must be clearly marked separate from other content and any sponsors must be disclosed. Articles such as Buttcoint's criticism of the BFL Mini-Rig being turned into a promotional article with zero article definitely run afoul of the FTC guidelines and should contribute to the [legal clusterfuck](#) that BFL is already in.

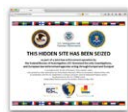
So that's the whole story of how BFL bought Buttcoint.org, locked me out of the website, turned it and other websites into a promotional machine until it was ultimately killed. It's also the story of how we've risen from the ashes into our new, shall-free home at the Buttcoint Foundation. Until the next juicy offer comes around, I suppose.



I am Buttcoint. I write about Bitcoins - but with butts.



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